

AR69

SNC-LAVALIN

Delivering solutions **Creating value**

1999 ANNUAL REPORT

SNC-Lavalin Group is one of the leading engineering and construction companies in the world, and a key player in the ownership and management of infrastructure.

The group and its companies deliver project solutions to the chemicals and petroleum, mining and metallurgy, power, infrastructure including mass transit, and defence sectors, and to emerging high growth sectors such as telecommunications, pharmaceuticals, agrifood and facility management.

SNC-Lavalin has offices throughout Canada and in some 30 other countries. It is currently working on projects in approximately 100 countries.

The company is listed on the
Toronto Stock Exchange.

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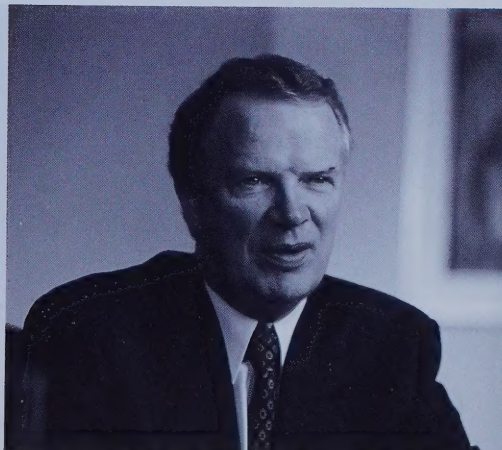
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SNC-Lavalin made significant strides in 1999 by further strengthening our position as one of the world's leading engineering and construction firms, delivering solutions and creating value for our shareholders, for our clients, and for the communities in which we live and work.

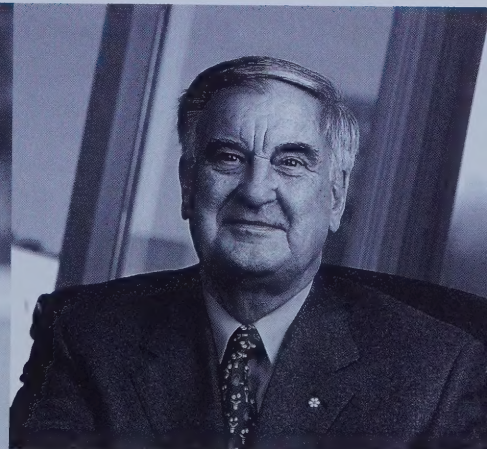
The engineering and construction industry has faced a challenging few years. We are justifiably proud that during this period, SNC-Lavalin achieved strong financial results and started 2000 with a healthy \$2.8 billion backlog. Net income, excluding our participation in the Highway 407 concession, increased for the eighth consecutive year.

As we look ahead to 2000 and 2001, we see solid indications of economic recovery in parts of Asia. Commodity prices for resources have improved, and continued growth is forecast in power, infrastructure, telecommunications, pharmaceuticals, agrifood and outsourced facility management services. We are well-positioned to seize the opportunities offered by the global marketplace.

Jacques Lamarre
President and Chief Executive Officer



Guy Saint-Pierre
Chairman of the Board

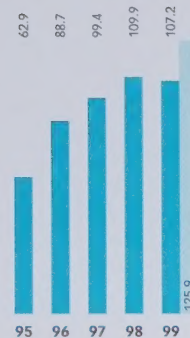


HIGHLIGHTS

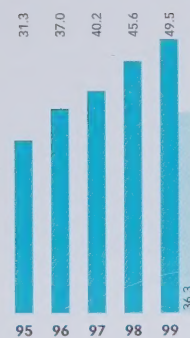
Cash flow
(in millions of \$)



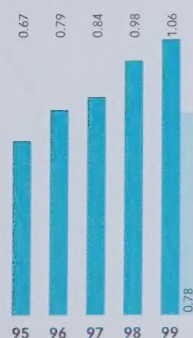
EBITDA
(in millions of \$)



Net income
(in millions of \$)



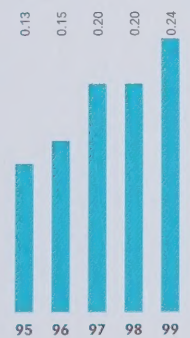
Earnings per share
(in \$)



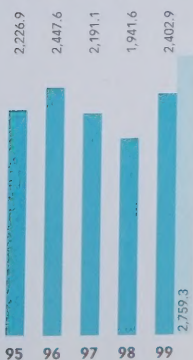
Return on average shareholders' equity (in %)



Dividends per share
(in \$)



Backlog
(in millions of \$)



Including the effect of the Highway 407 concession

Years ended December 31
(in thousands, except per-share amounts)

Summary of results

	1999	1998
Revenues		
Services	\$ 531,042	\$ 537,887
Packages	438,830	687,823
Diversified	300,961	281,829
	\$ 1,270,833	\$ 1,507,539

Earnings before interest, taxes, depreciation and amortization (EBITDA)

Excluding Highway 407	\$ 107,235	\$ 109,855
From Highway 407	18,674	—
	\$ 125,909	\$ 109,855

Net income (loss)

Excluding Highway 407	\$ 49,526	\$ 45,591
From Highway 407	(13,222)	—
	\$ 36,304	\$ 45,591

Basic earnings per share

Excluding Highway 407	\$ 1.06	\$ 0.98
From Highway 407	(0.28)	—
	\$ 0.78	\$ 0.98

Return on weighted average shareholders' equity

Excluding Highway 407	14.2%	14.3%
From Highway 407	(3.8)%	—
	10.4%	14.3%

Weighted average number of outstanding shares	46,628	46,560
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Financial position at December 31

Shareholders' equity	\$ 357,913	\$ 317,823
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Debt-to-equity ratio

Excluding Highway 407	10:90	12:88
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Actual number of outstanding shares at year-end	46,884	44,871
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Backlog at December 31

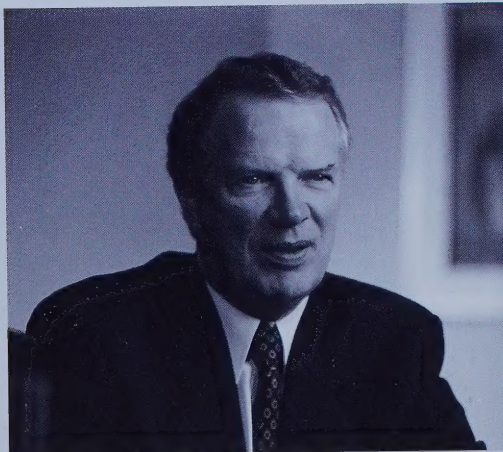
Services	\$ 314,800	\$ 329,200
Packages	914,900	655,600
Diversified	1,529,600	956,800
	\$ 2,759,300	\$ 1,941,600

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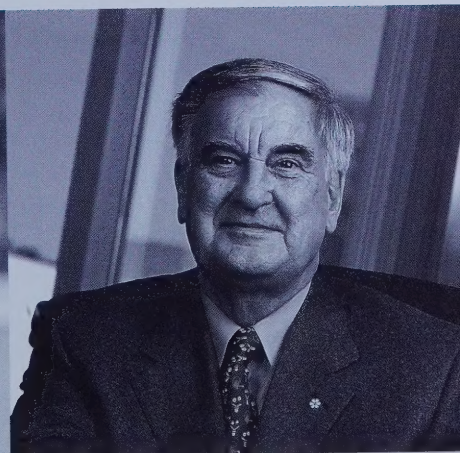
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Jacques Lamarre
President and Chief Executive Officer



Guy Saint-Pierre
Chairman of the Board



In recent years, we have witnessed the emergence of a new wave in infrastructure concessions and build-own-operate projects. Around the world, the engineering and construction industry has been among the leaders in developing such opportunities. In Canada, SNC-Lavalin is leading the way.

In May, the company was part of a landmark deal to finance and operate Highway 407 in the Greater Toronto area on a 99-year lease, and to design and build east and west extensions. SNC-Lavalin's involvement in the largest privatization in Canadian history demonstrates the company's know-how and credibility in this rapidly growing business sector.

Delivering Solutions, Creating Value

Our strategic initiatives, our focus on solid opportunities, and our expertise in delivering quality solutions create value and long-term gains for our clients and for our shareholders.

We deliver projects on schedule and on budget. Reliability has earned us the confidence of clients, which is evident in our volume of repeat business. We provide clients with access to our financial expertise, enabling projects to be realized. And we maintain high standards for occupational health and safety, quality and environmental protection.

Diversification by region and industry sector provides us with a natural hedge against specific market uncertainties.

Our Strategies for Growth

SNC-Lavalin has a commitment to growth – through internal development, strategic acquisitions and alliances, and by nurturing solid relationships with our clients.

We will continue to

- leverage our recognized expertise in our core business sectors of chemicals and petroleum, mining and metallurgy, power and infrastructure.
- develop and enhance our competitive position in high growth sectors such as telecommunications, pharmaceuticals, agrifood and facility management.
- apply our expertise in project financing to reinforce our leadership in developing markets.
- selectively participate in infrastructure concessions and build-own-operate facilities with solid fundamentals and potential.

Strategic Acquisitions

In 1999 and early 2000, we acquired three companies, all in our emerging high growth sectors:

- Telecommunications – 25-per-cent equity position in Expertech, a Bell Canada subsidiary, specializing in wireline fibre optic and copper network installations
- Pharmaceuticals – FEL Consultants, providing regulatory validation and engineering services
- Facility management – Nexacor, a realty management company, through our joint venture ProFac.

We also acquired the balance of shares for total ownership of Simon-Carves Fenco, now Fenco Engineers and Constructors, a world leader in the turnkey delivery of sulphuric acid plants.

Highway 407

In May 1999, a consortium including SNC-Lavalin, Spanish company Cintra and Capital d'Amérique CDPQ, invested in Highway 407 in a 99-year concession lease from the Government of Ontario which was acquired for \$3.1 billion.

Highway 407 is the world's first all-electronic, open-access highway. When construction on the extensions is completed, the highway will be 108 km in length and will span the Greater Toronto area, Canada's largest and fastest-growing urban centre. The 69-km central portion of the highway has been in operation since June 1997.

A construction joint venture formed by SNC-Lavalin and Ferrovial Agroman, a subsidiary of Cintra's parent company, is building the extensions under a lump-sum turnkey contract. The concession company is also implementing a significant upgrade to the tolling and billing system to provide the added capacity required for the two extensions and to improve the quality of customer service.

To finance the acquisition, the consortium established a senior bond financing program. The first issue in July 1999, for a face value of \$1.1 billion, was the largest ever Canadian-dollar corporate bond issue in Canada. In 1999, a total of \$2.15 billion in bonds was issued, with A ratings from Standard and Poors, CBRS and DBRS. In March 2000, a major milestone was reached when the refinancing of the senior bridge loan was completed with the issue of the latest series of senior bonds.

Usage of the highway has been growing steadily, with approximately one million more trips billed than originally forecast.

The investment in Highway 407 is performing better than anticipated, achieving \$112 million in revenues from the toll road for the eight months since acquisition in 1999, surpassing the original \$102 million revenue forecast for that period, as well as contributing positive cash flow. As expected it will show an accounting loss in the initial years of the concession.

Information Technology

In a knowledge-based economy, the competitive differentiator for SNC-Lavalin is our extensive use of information technology to maximize the generation and sharing of knowledge in order to improve productivity and performance. The architecture and infrastructure of our network allow us to efficiently and securely communicate with our clients, our suppliers and our employees worldwide. These systems play an important role in project management, project accounting, financial monitoring and reporting, engineering and design, procurement, and human resources management.

Our fully integrated project management system, PM+, has been widely used since the mid-1980s to monitor and control projects of every type, size and complexity. In 1999, we completed a multi-year program to modernize and upgrade several modules of the system.

Our global procurement activities are now linked through a comprehensive network, connecting our professional procurement staff, alliance partners and suppliers worldwide. A vendor registration and communication website has been activated on the Internet, with e-commerce applications to follow soon. This will help us to achieve significant cost savings, improved sourcing and efficient supply chain management.

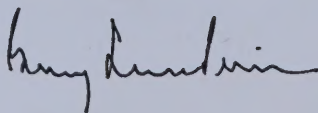
Acknowledgments

SNC-Lavalin employees are among the best and brightest talent in the industry. It is through their dedication and enthusiasm that we have achieved the milestones we reached this year.

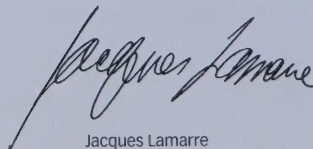
We would like to thank Anthony Rustin, who retired in 1999 from his position as Executive Vice-President, and President and Chief Executive Officer of SNC Technologies Inc., for his lasting contributions to the company. During his 26 years with SNC-Lavalin, he held several senior positions in operations and project management.

We would also like to thank our Board of Directors for their valuable counsel, and to recognize the work of Jean Monty and William Turner who left their positions in 1999. We welcome three new Directors: Allan Leach, Hugh Segal, and Lawrence Stevenson.

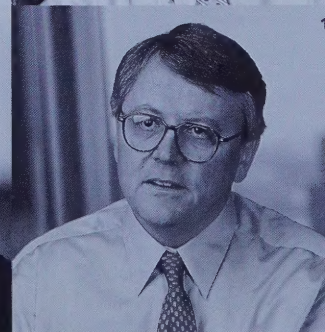
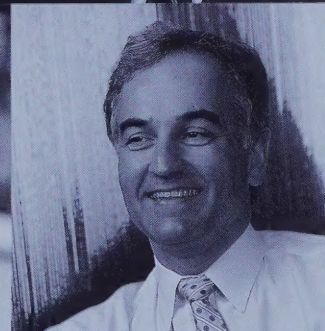
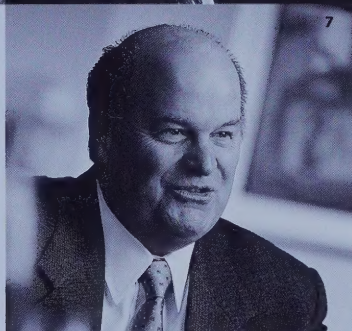
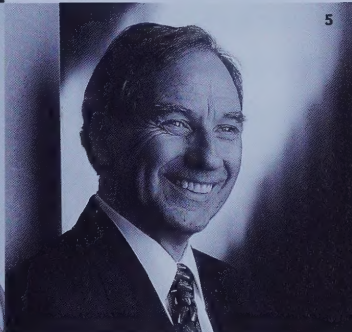
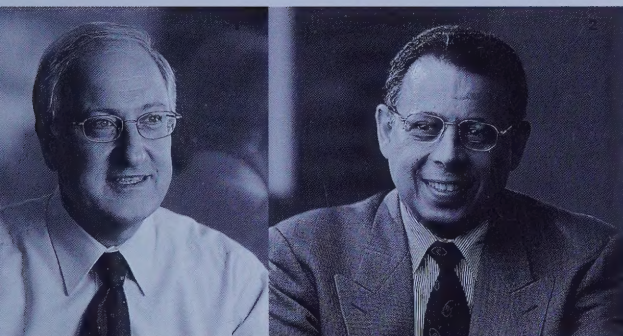
To our clients, we would like to express our gratitude for their confidence in us to keep delivering solutions for successful projects. And to our shareholders, in appreciation of your continuing support, we dedicate ourselves to creating value for you.



Guy Saint-Pierre
Chairman of the Board



Jacques Lamarre
President and Chief Executive Officer



- 1 Taro Alepian
- 2 Sami Bébawi
- 3 Krish Krishnamoorthy
- 4 Gilles Laramée
- 5 Robert Leboeuf
- 6 Normand Morin
- 7 Roger Nichol
- 8 Michael Novak
- 9 Robert Tribe
- 10 Klaus Triendl

SNC-Lavalin delivers total solutions for capital projects in chemicals and petroleum, mining and metallurgy, power, infrastructure and defence. It is continuously enhancing its presence in these core sectors through internal development, strategic alliances and acquisitions. It is also building a position in emerging high growth sectors such as telecommunications, pharmaceuticals, agrifood and facility management.

SNC-Lavalin carries out projects in the chemicals and petroleum sector from its offices in Canada, Belgium and Saudi Arabia. It has established a leadership position in oil sands, oil and gas gathering and treatment facilities, sulphur removal and handling, pipelines, and in a variety of refining, petrochemical and chemical plants.

Market conditions

Investment in the chemicals and petroleum industry began to rebound toward the end of 1999 due to improved energy prices and the need to meet stricter environmental standards. Many projects which had previously been put on hold are now going ahead, and strong market growth is foreseen in Canada, the Middle East, the Caspian region, parts of North Africa and South America for projects in oil sands, heavy oil, offshore and onshore production, upgraders and pipelines.

Significant new awards in 1999 included an upstream main station and cluster of wells for the Sincor heavy oil development in Venezuela, the bitumen production portion of Suncor's Millennium Project and a major expansion of the Syncrude upgrader in Alberta.

The Rhourde Nouss gas complex in Algeria entered the final phase of construction, reaching a milestone in early 2000 when it was connected to the main pipeline network. Successful delivery of this major project positions the company for other projects in the region. Also, the modernization of the LUKoil refinery in Volgograd, Russia, was completed, while work continued on its new hydrocracker.

In the chemical industry, a number of projects were underway or completed in 1999, including phosphoric acid plants in Belgium, Morocco and Turkey, and an amino acid plant in France. A major new contract was obtained at year-end to expand a fertilizer complex in Richards Bay, South Africa.

The alliance with Kvaerner Oil and Gas for offshore projects in eastern Canada won an important contract from Husky Oil to determine potential production methods and facilities for its White Rose field.

An increasing amount of business in this sector is being carried out in partnership with clients. Among them are current significant alliances with Dow Chemicals for their facilities across Canada, and with Imperial Oil for their central Canada supply system and refinery projects.



LUKoil refinery, Volgograd, Russia

Highlights

- Market rebounds
- Rhourde Nouss gas complex nears completion
- Major new awards – Sincor heavy oil in Venezuela, Suncor oil sands bitumen, Syncrude upgrader and fertilizer complex in South Africa
- Alliances with clients gaining importance

In the mining and metallurgy sector, SNC-Lavalin operates from offices in Canada, the United States, Chile, Australia, the United Kingdom and South Africa. It is the recognized leader in gold, aluminum and magnesium projects, one of the leaders in nickel, copper and zinc, and is developing a position in other metals, in alumina refining and diamond mining.

Market conditions

The mining and metallurgical processing industries have bottomed out and base metal prices have begun to improve after a difficult few years. Demand is steadily growing in the aluminum and magnesium sectors. Market opportunities throughout the industry are expected to increase, and to be strongest in North and South America, Africa and Australia.

New awards in 1999 included the Bulyanhulu gold project in Tanzania for Barrick Gold, the Olympias polymetallic gold project in Greece for TVX, the expansion of zinc production facilities for Hudson Bay Mining and Smelting in Manitoba, and a new aluminous cement plant in China for Lafarge, as well as the early development for a potential new silver mine in Bolivia for APEX. The Altonorte copper project in Chile was given the go-ahead early in 2000 as copper prices improved. SNC-Lavalin was also awarded the engineering and procurement of the Diavik diamond mine in the Northwest Territories, Canada.

Projects completed during the year included the Pierina gold mine for Barrick Gold in Peru, the Goro Nickel pilot plant for Inco in New Caledonia, and a phosphate rock and beneficiation plant in Ontario for Agrium.

Work on the Magnola magnesium plant in Québec, the first commercial smelter to extract magnesium from asbestos tailings, is proceeding on schedule. Also, work continued on the Alma aluminum smelter in Québec for Alcan.

In Mozambique, the Mozal aluminum smelter project is running ahead of schedule and is expected to start producing aluminum before the end of 2000. The company also continued to work on a number of smelter improvement projects for Alcoa in the United States.



Magnola, Canada

Highlights

- Market improving
- Magnola magnesium plant, Alma and Mozal aluminum smelters proceeding
- Major new awards – Bulyanhulu gold, Olympias polymetallic gold, Lafarge aluminous cement plant, Altonorte copper, Diavik diamond

SNC-Lavalin is an acknowledged world leader in hydroelectric power generation and long distance transmission, and is active in thermal and nuclear power generation.

New awards in 1999 included the Chamera II hydroelectric development in India, while work continued on the refurbishment of the Pallivasal, Panniar and Sengulam power stations. The company also assisted India's Energy Ministry in returning the Srisailem hydroelectric power station to full operation after heavy flooding.

The El Cajón hydroelectric plant in Honduras, which generates 50 per cent of the country's entire power supply, was restored to total capacity following a fire. Construction was completed on the critical interconnecting link between Honduras and El Salvador. The Leyte-Luzon line in the Philippines was also completed.

Hydro-Québec remained an important client as work continued on the hydro-electric project at Ste-Marguerite-3, and the Beauharnois project was completed.

The Onatchiway dam project for Abitibi-Consolidated was also completed, as was Chute-des-Passes for Alcan. Work progressed on other Alcan projects at Isle-Maligne and Chute-à-Caron. A cogeneration plant for a Domtar paper mill in Québec was awarded early in 2000.

The Lower Churchill Falls hydroelectric development in Labrador, once approved, will be one of Canada's largest projects in any sector during the first decade of the new century.

Canatom NPM, a joint venture which deals exclusively in nuclear projects, is involved in ongoing activities related to the construction of two Candu-6 nuclear power plants in China, and with Ontario Hydro's nuclear optimization program to implement plant operating improvements.

Market conditions

Deregulation has led to more privatization opportunities and the outlook is for continued growth in the demand for power generation, particularly in North and South America, and in Asia. In North America, environmental concerns have led to the development of more efficiently produced power with lower atmospheric emissions.



Future site of Chamera, India

Highlights

- Market growth strong
- Many prospects worldwide
- Continuing work for Hydro-Québec
- Nuclear projects for Ontario Hydro and in China
- Major new awards – Chamera II, Domtar cogeneration

SNC-Lavalin offers total solutions to clients worldwide for a wide range of infrastructure projects and is a leader in integrated mass transit systems. The company undertakes financing and build-own-operate arrangements as well as design-build projects in infrastructure facilities of all types whether they are located in major urban centres or in remote, logistically challenging areas.

In mass transit, the Kuala Lumpur light rail system is close to completion. The steady recovery of Asian economies is expected to revive several mass transit projects which had previously been deferred.

Numerous infrastructure contracts were obtained in Canada during the year, including the Jemseg Bridge in New Brunswick, a municipal infrastructure design project encompassing water, sewer and road systems in Fredericton, and the expansion of the air terminal building in St. John's, Newfoundland. The company also worked on a steady

stream of projects in Québec and Ontario, including construction of the extension of Highway 407 in the Greater Toronto area.

Internationally, work advanced on the Air Algérie airport hangar and maintenance facilities in Algeria, and on two important roads and a new school in Haiti. The company made a strategically important inroad in Vietnam with a contract to provide technical assistance and training programs for an inland waterways and port rehabilitation project. A multi-year contract to drill water wells in Libya as part of the Great Man Made River project neared completion.

Market conditions

Developed countries are investing in the refurbishment of deteriorating infrastructure, while developing countries need to build new infrastructure to sustain economic growth. This has created strong demand for companies like SNC-Lavalin to plan, arrange financing, and build roads, bridges, buildings, mass transit systems, water and waste management facilities.



Highlights

- Increasing demand for infrastructure worldwide
- Kuala Lumpur light rail system close to completion
- Ongoing and new projects in Canada, North Africa, Haiti, Vietnam

Air Algérie airport hangar, Algeria

SNC TEC, the Canadian defence manufacturing arm of SNC-Lavalin, has become one of the best-value producers of quality products in the world, and provides research-and-development services.

As a preferred supplier, it furnishes the Canadian Department of National Defence with its ammunition needs. SNC TEC has also turned to other NATO markets, such as the United States and Europe, to increase sales. In Europe, SNC TEC's revenues are generated mainly from sales to the Ministries of Defence of France, the Netherlands, Denmark and Belgium for small and large-calibre ammunition, and from the supply of components to other ammunition manufacturers.

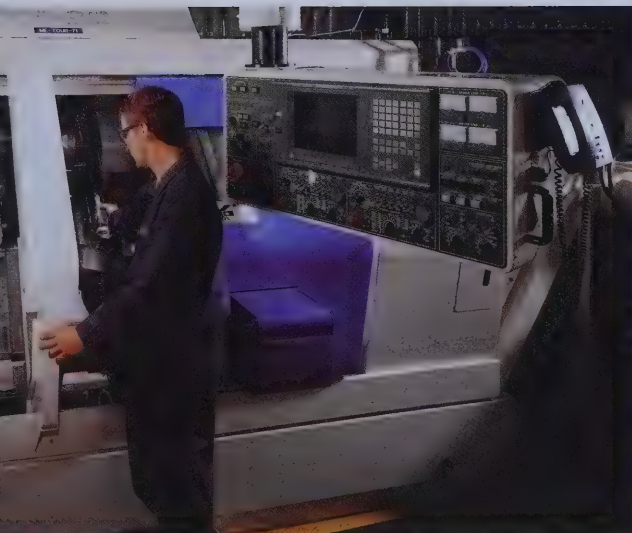
Simunition, a division of SNC TEC that manufactures small-calibre training ammunition, has become an important part of the international training systems network. In 1999, the French gendarmerie and U.S. mili-

tary and law enforcement agencies renewed their contracts for delivery of the Simunition line of products.

Securiplex, a subsidiary which develops and installs fire detection and suppression systems, further developed its technology for a fine water spray system. This technology has the potential to propel Securiplex into a larger market share with an ability to provide wider fire protection coverage over larger areas.

Market conditions

The reorganization of defence markets, with increasing privatization of arsenals previously owned in whole or in part by governments, has continued to present opportunities for defence manufacturers. The trend toward a more global approach for delivering lower cost, quality products to markets has led to more market-specific alliances and joint ventures.



SNC TEC, Canada

Highlights

- Efficient operations producing best-value, quality ammunition
- Increased international sales
- Renewal of French and U.S. Simunition contracts

By adapting quickly to changing market conditions, SNC-Lavalin has demonstrated its ability to develop positions in the high growth sectors of telecommunications, pharmaceuticals, agrifood and facility management through internal development, strategic acquisitions and alliances.

Market conditions

Telecommunications

Significant growth in the demand for telecommunication systems and deregulation are driving the rapid expansion in this industry.

Pharmaceuticals

Mergers among producers have accelerated the development of new products, and the demand for lower cost, generic drugs continues to fuel growth.

Telecommunications

SNC-Lavalin now has two companies active in this sector: Spectra Telecom, jointly owned with a partner, which installs wireless networks in Canada, Europe and Latin America; and Expertech Network Installation Inc., a Bell Canada subsidiary in which SNC-Lavalin acquired a 25-per-cent equity position in 1999, which installs wireline fibre optic and copper network systems. SNC-Lavalin adds value to these operations with its international marketing network and expertise in project

management. Spectra Telecom and Expertech have started to work together in pursuing opportunities for installing systems that have both wireless and wireline components.

Pharmaceuticals

The company's Brussels and Montréal offices provide validation and project services to the pharmaceutical industry. In 1999, SNC-Lavalin acquired FEL Consultants of Toronto to better serve the growing market in Ontario. Linking operations and marketing efforts has allowed SNC-Lavalin to become an important player in this high growth sector, serving both large, multinational clients, and the generic market in developing countries.

Expertech, Canada



Merck Frosst, Canada



Agrifood

SNC-Lavalin's Pingat Ingénierie subsidiary in France and SNC-Lavalin Audet in Québec specialize in the agrifood business. Together, they are the company's entry into this sector, which has found many opportunities for growth in Canada, in France, and around the world.

Market conditions

Agrifood

The need to improve efficiency and lower production costs has led to an increase in capital spending.

Facility Management

Multi-location large corporations and governments at all levels have been outsourcing non-core activities, creating a market for companies with the expertise to deliver efficiency and improved performance in the management of facilities and maintenance.

Facility management

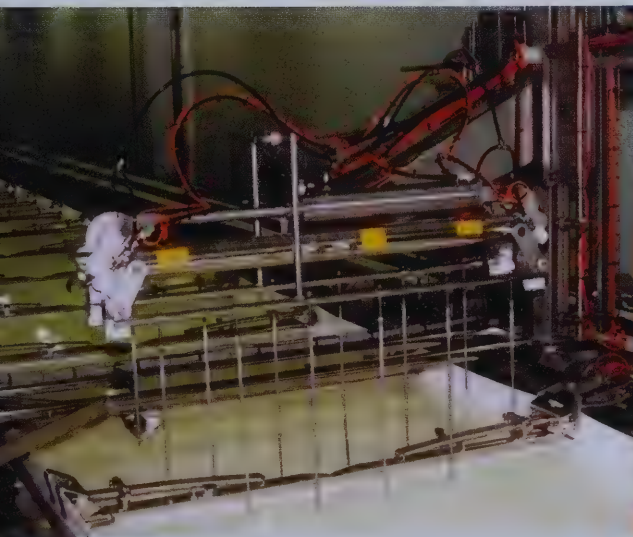
ProFac, jointly owned with a partner, manages facilities and office space. It provides outsourced services to a growing market, delivering improved efficiency and productivity, and the cost savings that can be realized through high-volume purchasing. ProFac is the largest facility management company in Canada and the only one to receive ISO 9001 certification. It currently manages more than 6,200 properties representing 82 million square feet for multi-location clients.

Major awards in 1999 and early 2000 in these four sectors include several new telecommunications contracts in the United States and Australia, a new pharmaceutical facility for Merck Frosst in Québec, an expansion project for Lantic Sugar in Québec, a new feed mill in Manitoba, and the Riches Monts cheese manufacturing plant in France. In facility management, ProFac won contracts for more than 2,200 Government of Ontario buildings in the Greater Toronto area and the southwest region of Ontario, the renewal of the cross-Canada mailbox program for Canada Post and, with the acquisition of Nexacor Realty Management in 2000, the management of Bell Canada facilities.

Highlights

- Developing strong positions in high growth sectors
- Acquisition of Expertech (25%), FEL Consultants in 1999 and Nexacor in 2000
- ProFac now the largest facility management company in Canada
- Major new awards – Merck Frosst and Lantic Sugar in Quebec, Arborg Feed in Manitoba, Government of Ontario and Bell Canada facility management contracts

Riches Monts cheese plant, France



Canada Post, Canada



SNC-Lavalin has been active in developing concession-type activities for several years, and it has demonstrated its ability to identify opportunities and apply financing solutions both in and outside Canada.

In 1999, the company and its partners, won the 99-year lease to finance and operate the existing portion of the 407 toll highway in the Greater Toronto area, and to design, build, own and operate east and west extensions.

Located in Canada's largest and fastest-growing city, the world's first fully automated, open-access toll highway does not require a vehicle to stop to collect tolls. A series of overhead structures at entrance and exit ramps decodes billing information transmitted by devices mounted on a vehicle's dashboard or by digital imaging of license plates.

In other such businesses, an SNC-Lavalin partnership is involved in the rehabilitation and operation of the Lebanese postal system on a 12-year lease. LibanPost's mandate is to plan, install, commission, operate and maintain mail handling, express mail, philately and other postal services.

In power generation, another SNC-Lavalin partnership recycles methane gas emissions from a Montréal landfill site to fuel the Gazmont power plant, and then sells the electricity to Hydro-Québec under a 25-year power purchase agreement. In New York State, the West End Dam hydroelectric project produces an average of 22 million kWh per year which is sold to the Niagara Mohawk Power Corporation.

A subsidiary of SNC-Lavalin participates in the management, operation and development of a multimodal airport complex at Vatry, France's largest freight terminal, on a 20-year concession. And in a consortium, the company entered into a public-private partnership with the town of New Tecumseth, Ontario, to design and build a watermain between Collingwood and Alliston, site of the Honda Canada automotive manufacturing plant, and to operate and maintain the watermain for a period of 15 years.

In recent years, SNC-Lavalin realized capital gains on divesting its equity position in four small hydroelectric power generating stations, a plant producing energy from waste, and natural gas storage facilities.

Highlights

- **Increasing trend toward public-private partnerships**
- **Highway 407 – largest privatization in Canadian history; landmark deal for SNC-Lavalin**



Highway 407, Canada



Highway 407 control centre

The following discussion and analysis is intended to enhance the understanding of the audited consolidated financial statements and accompanying notes, and should be read in conjunction with these documents.

Overview

In 1999, the Company made an investment in 407 International Inc., a consortium which operates, maintains and manages highway 407 located in the Greater Toronto area, the first fully electronic open-access toll highway in the world. The consortium purchased Highway 407 from the Government of Ontario for the sum of \$3.1 billion, representing the largest privatization project in Canadian history. This transaction is in line with the Company's view that concession-type arrangements in sectors related to its core expertise are expected to be a growing component of its business in the years to come.

For purposes of comparison and to disclose the financial impact of Highway 407, this MD&A and the accompanying financial statements provide segregated disclosure relating to Highway 407. "Highway 407" refers to the Company's 26.92% proportionate share of the results of 407 International Inc., after consolidation eliminations. This additional data complements the customary detailed presentation and analysis of the Company's activities, and highlights the earnings momentum of the Company's other operations.

Selected financial indicators

(in thousands, except per-share amounts)

	1999	1998
Net income (loss)		
Excluding Highway 407	\$ 49,526	\$ 45,591
From Highway 407	(13,222)	—
	\$ 36,304	\$ 45,591
Basic earnings per share		
Excluding Highway 407	\$ 1.06	\$ 0.98
From Highway 407	(0.28)	—
	\$ 0.78	\$ 0.98
Weighted average number of shares	46,628	46,560

Net income, excluding Highway 407, rose 8.6% to \$49.5 million in 1999 from \$45.6 million in 1998, marking the eighth consecutive year of increased earnings. The corresponding basic earnings per share rose 8.2% to \$1.06 from \$0.98 in 1998. Net income, including Highway 407, was \$36.3 million.

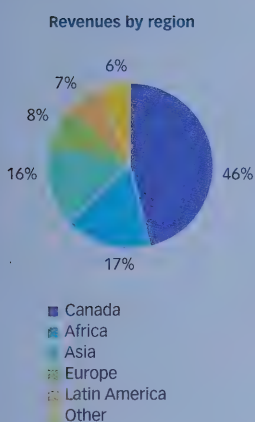
Consolidated revenues were \$1,270.8 million in 1999 compared with \$1,507.5 million in 1998. The reduction was anticipated and is attributable to the mix of services and packages projects and to the completion of a few major packages projects. Although revenues were lower, the gross margin in dollars increased over 1998. Several new major projects were booked during 1999, resulting in a significant increase in backlog, for which the full impact on revenues will not be felt until 2000.

Consolidated cash and cash equivalents and short-term investments totaled \$110.3 million at the end of 1999, compared with \$217.6 million at the end of 1998. Cash was primarily used for the investments in Highway 407. Cash generated from operations before net change in non-cash working capital increased to \$94.4 million, or \$2.02 per share, in 1999 compared with \$67.5 million, or \$1.45 per share, in 1998. Of this amount, \$3.9 million, or \$0.08 per share, was generated by Highway 407.

Geographic breakdown of revenues

(in millions of dollars)

	1999	1998
Canada	\$ 587.6	\$ 588.8
Outside Canada		
Africa	210.1	417.2
Asia	199.7	171.3
Europe	99.9	98.9
Latin America	91.4	110.9
Other	82.1	120.4
	683.2	918.7
Total revenues	\$ 1,270.8	\$ 1,507.5



The Canadian market continues to be the largest source of revenues for the Company, representing 46% of total revenues in 1999 compared with 39% in 1998. In 1999, revenues derived from Canadian activities remained in line with 1998 and are expected to increase in 2000 given the higher year-end backlog and the many opportunities which are driven by continued economic growth in the country.

Revenues outside Canada decreased by 26% from 1998 levels as certain major projects in Africa neared completion. Africa remains the Company's largest geographic contributor after Canada, and is expected to maintain its contribution in 2000. Revenues from Asia increased by 17% as work advanced and new work commenced on major infrastructure and power projects. The economic recovery in Asia is generating increased prospects, especially in infrastructure and power, and the Company expects the revenue growth trend to continue in 2000.

Revenues from Europe were in line with the previous year, and are expected to remain constant in 2000. Revenues in Latin America were 18% lower than in 1998 mainly due to reduced economic activity in the region. Recent contract awards are expected to contribute to higher revenues in 2000. Revenues from other regions, a segment which includes the United States, the Middle East and Eurasia, decreased overall in 1999.

Economic trends

Canadian Gross Domestic Product (GDP) growth in 2000 is expected to be about 3.5% compared with approximately 4.0% in 1999. Higher world commodity prices, tax reductions resulting from government budgetary surpluses, a higher employment rate and controlled inflation lead to an optimistic outlook for 2000. Continued growth in exports as well as investments in non-residential construction provide a solid base for new opportunities in the engineering and construction sector, especially in the chemicals and petroleum, mining and metallurgy, power and infrastructure sectors.

Outside Canada, the global economy is expected to grow modestly in 2000. Optimism is being restored in Asia where new opportunities are emerging, mainly in the infrastructure and power sectors. There is also strong potential in Africa, particularly for chemicals and petroleum, infrastructure and mining projects. With its well-established international network and expertise in arranging project financing, the Company is well-positioned to benefit from these opportunities.

Operating results by category

Certain major package projects were winding down in 1999, resulting in lower revenues from this category. Service activities were stable, while revenues from the diversified category increased.

Financial results by category

(in thousands of dollars)

	1999	1998
Revenues		
Services	\$ 531,042	\$ 537,887
Packages	438,830	687,823
Diversified	300,961	281,829
	\$ 1,270,833	\$ 1,507,539
Gross margin		
Services	\$ 141,030	\$ 125,965
Packages	92,144	91,442
Diversified	67,759	63,929
	\$ 300,933	\$ 281,336

Services revenues totaled \$531.0 million compared with \$537.9 million in 1998 and gross margin increased to \$141.0 million from \$126.0 million in 1998. The gross margin to revenues ratio increased to 27%, mainly due to improved margins from mining and metallurgy and infrastructure projects. In 2000, services revenues are expected to remain constant.

Packages backlog entering 1999 was lower than in 1998 (\$655.6 million at the end of 1998 compared with \$1,166.7 million at the end of 1997) and, as expected, revenues decreased to \$438.8 million (35% of total revenues) from \$687.8 million (46% of total revenues) in 1998. Despite lower revenues, gross margin increased slightly over 1998 in dollar terms due to favourable completion of certain large projects. Revenues are expected to be higher in 2000 following an increase in backlog to \$914.9 million at year-end 1999.

Diversified operations include activities from investments in special-purpose companies arising from privatizations, public-private partnerships, long-term outsourcing and other concession arrangements. These activities currently include Highway 407 as well as SNC Technologies Inc. (SNC TEC), a subsidiary involved in the manufacturing of ammunition, and Securiplex, a subsidiary that delivers engineered fire detection and suppression systems. Also included in this category are joint venture companies in facilities management and telecommunications, as well as the Company's equity investments in other special-purpose companies.

Diversified revenues increased by 7% to \$301.0 million from \$281.8 million in 1998, mainly due to the proportionate share of Highway 407 revenues. Total gross margin, excluding Highway 407, was \$52.5 million compared with \$63.9 million in 1998. The 1998 results included a gain from the sale of power generation facilities which was partly offset by the write-down of another investment. Looking ahead to 2000, revenues from facilities management are expected to be higher than in 1999 and the defence sector is expected to continue providing stable revenues.

Administrative, marketing and other expenses totaled \$213.9 million in 1999, up from \$207.2 million in 1998 primarily due to a restructuring charge taken in the mining and metallurgy sector related to the downsizing of some offices in Canada and Peru. Excluding this charge, these expenses were in line with 1998. The Company continues to maintain an appropriate balance between revenues and administrative and marketing expenses, while making the necessary investment in marketing and selling activities to achieve growth.

Backlog

The Company emphasizes the importance of evolving to adapt to changing markets. Accordingly, the backlog for the diversified category now reflects the growing importance of concession-type activities. Revenue backlog is calculated on a five-year rolling basis where there are recurring revenues from such activities that are supported by signed contracts or concession agreements. At this time, concession-type operations include sales of ammunition where SNC TEC holds a preferred supplier status with the Canadian Armed Forces, tolls on Highway 407 and the operation of the postal service in Lebanon. Backlogs for prior years have been restated for purposes of comparison.

Revenue backlog at the end of 1999 was \$2.8 billion, a 42% increase over \$1.9 billion at the end of 1998. In particular, the packages backlog increased by 40% as a result of \$698.1 million of new bookings during the year.

Revenue backlog

At December 31

(in millions of dollars)

	1999	1998
By category		
Services	\$ 314.8	\$ 329.2
Packages	914.9	655.6
Diversified	1,529.6	956.8
Total	\$ 2,759.3	\$ 1,941.6
By region		
Canada	\$ 1,671.9	\$ 924.2
Outside Canada	1,087.4	1,017.4
Total	\$ 2,759.3	\$ 1,941.6

Notable contract awards in the Services and Packages category include the expansion of Suncor Energy's oil sands plant in Alberta, Syncrude Canada's strategic projects in Fort McMurray, Alberta, the Diavik diamond mine in the Northwest Territories of Canada, and the Bulyanhulu gold mine in Tanzania. Also booked during the year was the construction of highway 407 east and west extensions, the Chamera II power project in India, Sincor's heavy oil complex in Venezuela and the Indian Ocean Fertilizer (IOF) plant in South Africa, as well as several water, transportation, agrifood and pharmaceutical projects in Canada and outside Canada.

Breakdown of diversified backlog

At December 31

(in millions of dollars)

	1999	1998
Concession-type (five-year rolling backlog)		
SNC TEC	\$ 674.6	\$ 655.6
Highway 407	356.4	—
LibanPost	155.6	155.6
	1,186.6	811.2
Facilities management	335.4	131.2
Other	7.6	14.4
Total diversified	\$ 1,529.6	\$ 956.8

Diversified backlog increased significantly with Highway 407 concession revenues and the award of facilities management contracts including that of the Ontario Realty Corporation to manage all provincial facilities in two regions of Ontario, with more than 2,200 buildings covering 31 million square feet.

Approximately 40% of the Company's total backlog is expected to be recognized as revenues in 2000. Backlog is expected to continue its upward trend as a result of opportunities in and outside Canada. Backlog reflects contract awards that are considered firm and is thus an indication of future revenues, however, there can be no assurance that scope adjustments or cancellations will not occur or when revenues and earnings from backlog will be realized.

There are additional risk factors and uncertainties relating to the business that may affect the Company. These include potential cost overruns on fixed or maximum price contracts, contract performance risk, legal claims, changes in political conditions and foreign currency rate fluctuations. The Company's continued commitment to sound risk-management practices when underwriting and undertaking contracts, includes rigorous drafting and legal review of contracts, applying stringent cost and schedule control of projects, reviewing project forecasts to complete on a regular basis, structuring positive cash flow arrangements on projects, hedging currency and interest rate fluctuations, securing project insurance, obtaining third party guarantees and implementing other risk mitigating measures. Maintaining comprehensive insurance coverage for various aspects of its business and operations is an important element in the risk management process. The Company elects, at times, to retain a portion of the risk for losses that may occur by applying selective self-insurance practices and managing professionally such retention in its regulated captive insurance company.

Operating results by industry segment

Chemicals and Petroleum

As anticipated a year ago, chemicals and petroleum generated lower revenues (\$248.3 million compared with \$441.1 million in 1998) and operating income in 1999 (\$16.7 million compared with \$48.3 million in 1998). This was mainly due to low oil prices which dampened investments in the industry. With higher oil prices, backlog was replenished with awards such as Sincor's heavy oil gathering systems and treatment project in Venezuela, Syncrude's oil sands project in Alberta, and the IOF fertilizer complex expansion in South Africa.

The chemicals and petroleum segment entered 2000 with a solid backlog and major prospects both in Canada and overseas. With continuing strong oil and gas prices, more opportunities are anticipated in oil sands and heavy oil projects in Alberta. The refining industry will be driven by new environmental legislation limiting the amount of sulfur in gasoline. Offshore oil development projects in Eastern Canada, such as Husky's White Rose, will enter the implementation phase and the Company is well-positioned to obtain major related awards.

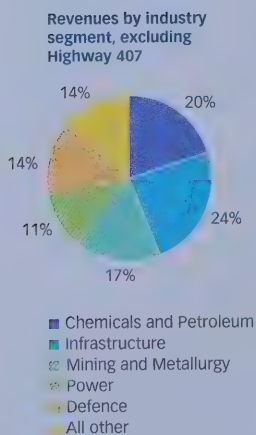
Internationally, the focus is on the Middle East, Venezuela and certain former Soviet Union countries where improved economic conditions are expected to reinitiate projects that were previously delayed. The performance of the chemicals and petroleum segment is expected to remain stable in 2000 based on current backlog and opportunities in and outside Canada.

Infrastructure

Infrastructure revenues in 1999 totaled \$298.5 million compared with \$352.5 million in 1998, mainly due to lower activity on projects that neared completion. Operating margins returned to normal levels following cost overruns that were experienced on a lump sum turnkey project in 1998.

Backlog was increased in 1999 with the award of the Highway 407 construction project which is forecast to generate approximately \$145 million of cumulative revenues, representing the Company's portion of the contract to build east and west extensions.

The outlook for infrastructure work in Canada is positive as most provincial governments and the federal government continue to achieve budgetary surpluses, and as possibilities arising from public-private partnerships grow. Outside Canada, various prospects for transportation,



roads and airports provide a solid basis for potential new awards, coupled with the emergence of new water and wastewater projects. The 2000 performance of the infrastructure segment is expected to remain in line with 1999.

Mining and Metallurgy

Mining and metallurgy revenues totaled \$210.5 million in 1999, down from \$240.4 million in 1998, mainly due to lower activities in Latin America, partly offset by higher activities in projects such as the Alcan aluminum smelter in Québec, the Mozal aluminum smelter in Mozambique, and the Magnola magnesium plant in Québec. Other important contributors to 1999 results were the Agrium phosphate plant in Ontario, the Inco Goro nickel pilot plant in New Caledonia, the commencement of the Barrick Bulyanhulu gold mine in Tanzania and various feasibility studies leading to the execution phase of such projects as the Diavik diamond mine in Canada.

Excluding the effect of restructuring charges to downsize some offices, and despite revenue reductions, the mining and metallurgy segment increased its operating income contribution in 1999 from improved margins on certain projects.

The outlook for 2000 is promising as a result of rising metal prices. Opportunities are expected to be strongest in Canada, South America, South Africa, and Australia.

Power

Power revenues increased to \$139.9 million in 1999 from \$125.7 million in 1998. Major contributors included the expansion of the Kuttiyadi power plant, the Kerala power stations rehabilitation in India, the two Qinshan CANDU nuclear plants in China, and Hydro-Québec's Ste-Marguerite 3 power plant in Québec. In 1999, an Indo-Canadian consortium, which includes the Company as leader of the Canadian group, was awarded a turnkey construction project for the Chamera II hydroelectric development, including a 300MW power station. The Company's portion of the \$500 million contract is approximately \$140 million. Also included in the backlog is the construction of a cogeneration power plant for Domtar's Windsor mill, in Québec.

Deregulation and privatization should drive demand for the expansion and rehabilitation of existing power facilities and the construction of new plants. These opportunities will stimulate the development and upgrading of transmission and distribution networks. Given such backdrop, the Company expects continued growth for Power in 2000.

Defence

Defence revenues of \$171.5 million were slightly lower than in 1998. SNC TEC which accounts for most of the revenues in this segment, supplies the Canadian Armed Forces with the bulk of their ammunition requirements under a preferred supplier status arrangement. The higher international sales reflect expansion in the U.S. market and with NATO countries. SNC TEC expects the expansion of international sales to continue based on the increase in its NATO client base. The Company continues to invest in research and development for new products. Revenues for 2000 are expected to remain in line with 1999.

All Other

All Other includes telecommunications, pharmaceuticals, agrifood and facilities management. Revenues in 1999 totaled \$175.4 million, compared with \$172.4 million in 1998. Operating income declined due to underperformance by Spectra Telecom, a 50%-owned joint venture involved in the deployment of wireless telecommunications systems.

In line with the Company's commitment to position itself as a major player in the expanding market for the management and operation of infrastructure and facilities, ProFac Facilities Management Services Inc., a 50%-owned joint venture, was awarded a significant contract with the Ontario Realty Corporation to manage provincial facilities in the Greater Toronto area and in southwestern Ontario. Also, in early 2000, ProFac acquired Nexacor Realty Management Inc., a wholly-owned property management unit of Bell Canada. Nexacor will continue to provide facilities management and other real estate services to Bell Canada under a 10-year outsourcing contract.

In 1999, the Company acquired a 25% equity interest in Expertech Network Installation Inc., a subsidiary of Bell Canada active in the construction and installation of wireline telecommunications networks, in order to strengthen its position in the telecommunications sector.

In 2000, the Company expects growth in revenues for the "All Other" segment.

Highway 407 concession

The following analysis highlights the operating results of the Company's 26.92% equity participation in Highway 407.

Proportionate share of Highway 407 results

For the eight-month period ended December 31, 1999
(in thousands of dollars)

Revenues, before consolidation eliminations of \$3,478	\$ 30,187
Income before interest and taxes	13,745
Interest expense and capital tax	(23,117)
Loss before income taxes	(9,372)
Income taxes	(1,346)
Net loss, before consolidation eliminations	(10,718)
Consolidation eliminations	(2,504)
Net loss, net of consolidation eliminations	\$ (13,222)

Revenues are comprised principally of toll revenues which are charged to users on a distance traveled, time of day and vehicle classification basis. The proportionate share of tolling revenues on the existing 69-km stretch of Highway 407 for the eight-month period since its acquisition on May 5, 1999 was \$30.2 million, or 10% higher than the \$27.5 million estimated at the time of acquisition, mainly due to higher than expected traffic volumes.

The loss for Highway 407 was \$13.2 million (net of consolidation eliminations) for the eight-month period in 1999. Interest charges represented more than half of the total operating expenses. Interest expense and capital tax for Highway 407 amounted to \$23.1 million, net of a \$6.5 million non-recurring gain from the cancellation of an interest rate swap terminated during 1999. This swap was intended to hedge an eventual U.S. bond issue, which was deemed no longer necessary based on the successful bond issues in 1999 and the current refinancing program. The Company uses forward interest rate contracts and interest rate swaps to hedge floating interest rate risk during the term of the bridge loans, and thereby reduces its exposure to fluctuations in interest rates. Interest costs are expensed for the portion related to the existing segment of Highway 407, while capitalized interest relates to the extension projects.

Interest expense relates to the Senior and Junior Bridge Credit Facilities, Senior Bonds, Subordinated Credit Facilities, and Subordinated Convertible Debenture, all of which are non-recourse to the general credit of the Company. These facilities are briefly summarized below.

On May 5, 1999, the consortium acquired Highway 407 from the Government of the Province of Ontario, and obtained financing through equity, a convertible debenture and bridge credit facilities. The bridge credit facilities totaling \$2.45 billion were advanced by a syndicate of Canadian and foreign banks. These bridge loans must be repaid at varying maturities no later than November 5, 2002.

Eight series of bonds, with weighted average maturities of 22 years, were issued in 1999 to repay 69% of the original bridge loans. Canadian Bond Rating Service Inc., Dominion Bond Rating Service Limited and Standard & Poor's Rating Services have each assigned "A" ratings respectively, in respect of the bonds. These successful bond issues, which exceeded the amount originally anticipated, combined with the proceeds of the hedging program, resulted in a favourable interest expense variance when compared with the original forecast. 44% of total 1999 bond issues for Highway 407 were issued with a five-year holiday on principal and interest, to match future cash outlays with future increased traffic flows.

The Company's proportionate share of the 2000 net loss, before consolidation eliminations, is expected to be \$27.8 million, compared with \$10.7 million for eight months of operation in 1999. The Company does not anticipate an accounting profit from its participation for the initial years. Usually, highway concessions incur net losses in the initial years of the concession, mainly due to the high levels of financing costs and depreciation expense. Recognizing the need to address such particularity, the Spanish Accounting Institute issued new accounting standards for highway concessions. Under such rules, our Spanish partner will show earnings from the beginning of the Highway 407 project, as financing costs and depreciation expenses, among others, are expensed over the concession life in line with the expected revenue stream. Highway 407, using Canadian accounting standards, will be recording depreciation expense based on a method which is similar to Spanish rules except for the amortization period, which is 40 years rather than 99 years. Conversely, interest costs, which have not been capitalized, are expensed as incurred rather than in line with the expected revenue stream.

Based on independent traffic forecasts, and on the financing structure, the investment in Highway 407 is expected to yield an overall after-tax return in line with the Company's target rate. The expected net present value of future cash flows from this investment represents a significant accretion to the value of the Company.

Income taxes

The effective tax rate, excluding Highway 407, was 34% for 1999 compared with 35% in 1998, reflecting the effect of foreign income taxed at lower rates. The 2000 effective tax rate, excluding Highway 407, is expected to remain in line with 1999, as the Company expects its mix of activities in Canada and internationally to remain approximately the same.

The consolidated effective tax rate was 41.3% in 1999, as future income tax benefits related to unused tax losses of Highway 407 will not be recorded until taxable income is generated or it is otherwise deemed appropriate.

Financial position and resources

Highway 407 had a significant impact on the Company's financial position and resources. The Company initially invested \$175 million in the equity of 407 International Inc. The Company and its partners have also made available to 407 International Inc. a subordinated credit facility totaling \$775 million for construction costs, debt service and working capital. The Company's share of the subordinated credit facility is \$175 million. Drawings under this loan facility, which availability is secured to 407 International Inc. by way of bank letters of credit issued on behalf of the Company and its partners, are made on a specific requirement basis. As at year-end, the Company's subordinated loan to 407 International Inc. amounted to \$35.3 million, before consolidation eliminations. The following table summarizes the Company's investments in Highway 407 along with the Company's sources of funds as at December 31, 1999.

Investments in Highway 407

(in millions of dollars)

Equity participation (26.92%) in 407 International Inc.	\$	175.0
Subordinated loan to 407 International Inc.		35.3
	\$	210.3

Company's source of funds

(in millions of dollars)

Available cash	\$	161.1
Net proceeds from issuance of common shares		49.2
	\$	210.3

As at December 31, 1999 the Company funded its investment in Highway 407, amounting to \$210.3 million of the total \$350 million commitment, through its available cash and net proceeds from the issuance of common shares.

Consolidated cash and cash equivalents and short-term investments totaled \$110.3 million in 1999 compared with \$217.6 million in 1998. The decrease is primarily attributable to the use of cash towards the investment in 407 International Inc. The impact of this investment is also visible on the net working capital and the current ratios at year-end, which were, respectively, \$15.2 million and 1.03, compared with \$153.2 million and 1.25 in 1998. However, reflecting on a pro forma basis, the use of unutilized long-term credit facilities as additional working capital raises the current ratio at year-end to 1.33, a satisfactory level.

Cash generated from operations, excluding Highway 407, but before net change in non-cash working capital items increased to \$90.5 million, or \$1.94 per share, in 1999 compared with \$67.5 million, or \$1.45 per share, in 1998. Highway 407 operations generated \$3.9 million, or \$0.08 per share, of cash from operations in 1999.

Cash used for investing activities of \$969.7 million was primarily related to Highway 407. The acquisition of Highway 407 was concluded for a sum of \$3.2 billion (including costs related to the acquisition) by the consortium, for which the Company's 26.92% proportionate share represents \$860.9 million. An equity investment of \$25.1 million was also made during the year for a 25% equity participation in Expertech, a subsidiary of Bell Canada, active in the telecommunications sector. Investing activities also include the Company's subordinated loan to 407 International Inc., amounting to \$35.3 million before consolidation eliminations. Total capital assets acquisitions aggregated \$36.2 million in 1999. Included in acquisition of capital assets is the Company's \$14.0 million proportionate share of Highway 407's capitalization of costs related to the construction of the east and west extensions. Similar to prior years, information technology was the most important item in the remaining amount of capital assets acquisitions.

Financing activities generated \$703.8 million. The main inflow was the net issuance of long-term loans by the consortium for the acquisition of Highway 407. The Company's proportionate share of long-term debt issues represents \$703.4 million, which are non-recourse to the general credit of the Company. Also as part of its sources of funds for its equity and debt investments in 407 International Inc., the Company issued 4.3 million common shares to Capital d'Amérique CDPQ Inc. for net proceeds of \$49.2 million.

A \$0.06 dividend per share was declared for the fourth quarter of 1998 and in each of the first three quarters in 1999, resulting in a cash outflow of \$11.3 million. During the year, the Company repurchased 2.7 million shares amounting to \$31.2 million, as part of the normal course issuer bid. The current normal course issuer bid expires in May 2000. The Company intends to renew the program for one additional year, but expects a lower level of repurchases in 2000 as a substantial amount of its available cash was invested in Highway 407.

The Company increased its long-term bank credit facilities and now has access to \$255 million, compared to \$100 million in 1998. The \$100 million long-term revolving committed lines of credit, which may be converted to two-year term loans, were increased to \$155 million, and a new \$100 million five-year revolving loan credit facility was put in place. These changes were made in support of the Company's investment in Highway 407. At year-end, \$184.1 million of these credit lines remained unutilized, the difference of \$70.9 million was used for the issuance of documentary credit. In addition to long-term credit facilities, the Company also has access to documentary credit lines to provide guarantees required in the normal course of its operations.

The Company has cash and cash equivalents, short-term investments as well as credit facilities in place to meet its current operating, investing and financing plans. The Company remains committed to business growth and increasing returns to shareholders, through acquisitions or other investment opportunities. Additional financing from debt or equity markets may be required should significant investment opportunities arise. The Company is committed to maintaining an adequate balance between ensuring sufficient capital for financing net asset positions, maintaining satisfactory bank credit lines and borrowing capacity, as well as capacity to absorb project net retained risks while maximizing ROASE.

Return on average shareholders' equity (ROASE)

Excluding Highway 407

1999	1998	1997	1996	1995
14.2%	14.3%	13.5%	14.9%	13.7%

Including the effect of Highway 407, ROASE was 10.4%, some 430 basis points above Canada's long-term bond yield. ROASE, excluding Highway 407, was 14.2%, some 210 basis points above the Company's target return of the long-term Canada bond yield plus 600 basis points. ROASE, excluding Highway 407, is expected to continue to surpass the Company's target in 2000.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of SNC-Lavalin Group Inc. (the Company) and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate for the circumstances.

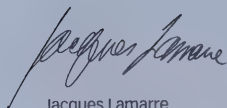
The significant accounting policies used are described in note 1 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls which are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are outside directors. The Audit Committee meets periodically with management, as well as with the internal and external auditors, to discuss internal controls, accounting, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited, on behalf of the shareholders, by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards. The external auditors have full and free access to the Audit Committee.



Jacques Lamarre
President and
Chief Executive Officer

Montréal, Canada
February 11, 2000



Gilles Laramée
Executive Vice-President, Finance

AUDITORS' REPORT

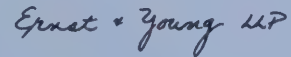
To the shareholders of SNC-Lavalin Group Inc.

We have audited the consolidated balance sheets of SNC-Lavalin Group Inc. as at December 31, 1999 and 1998 and the consolidated statements of income, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Montréal, Canada
February 11, 2000



Ernst & Young LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEETS

December 31

(in thousands of dollars)

1999

1998

Assets

Current

Cash and cash equivalents	\$ 97,676	\$ 198,747
Short-term investments	12,668	18,835
Accounts receivable	347,544	291,061
Contracts in progress and inventories (note 4)	160,816	258,765
	618,704	767,408

Capital assets (note 5)	1,014,008	138,938
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Other assets (note 6)	210,729	79,189
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	\$ 1,843,441	\$ 985,535
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Liabilities and shareholders' equity

Current

Accounts payable and accrued charges	\$ 368,517	\$ 339,895
Downpayments on contracts	95,103	123,636
Deferred revenues	139,898	150,667
	603,518	614,198

Long-term debt (note 7)	840,911	40,068
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Other liabilities (note 8)	41,099	13,446
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	1,485,528	667,712
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Shareholders' equity	357,913	317,823
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	\$ 1,843,441	\$ 985,535
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See accompanying notes to consolidated financial statements.

On behalf of the Board:



Jacques Lamarre,
Director



Angus A. Bruneau,
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31

(in thousands of dollars, except per-share amounts)

	1999	1998
Revenues	\$ 1,270,833	\$ 1,507,539
Gross margin	\$ 300,933	\$ 281,336
Administrative, marketing and other expenses	213,887	207,165
Income before interest and taxes	87,046	74,171
Interest and capital taxes	25,172	4,031
Income before income taxes	61,874	70,140
Income taxes (note 11)	25,570	24,549
Net income	\$ 36,304	\$ 45,591
Earnings per share (note 1n)		
Basic	\$ 0.78	\$ 0.98
Fully diluted	\$ 0.75	\$ 0.93
Weighted average number of shares (in thousands)	46,628	46,560

See accompanying notes to consolidated financial statements.

Note – Additional information

Net income (loss)		
Excluding Highway 407	\$ 49,526	\$ 45,591
From Highway 407	(13,222)	–
	\$ 36,304	\$ 45,591
Basic earnings per share (note 1n)		
Excluding Highway 407	\$ 1.06	\$ 0.98
From Highway 407	(0.28)	–
	\$ 0.78	\$ 0.98
Fully diluted earnings per share (note 1n)		
Excluding Highway 407	\$ 1.01	\$ 0.93
From Highway 407	(0.26)	–
	\$ 0.75	\$ 0.93

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(in thousands of dollars, except per-share amounts)

	1999	1998
Operating activities		
Net income	\$ 36,304	\$ 45,591
Items not involving a movement of cash		
Depreciation and amortization	38,863	35,684
Future income taxes	4,965	(8,288)
Other	5,541	(5,514)
Deferred gains on interest rate hedging	8,695	—
	94,368	67,473
Net change in non-cash working capital items	70,507	43,720
	164,875	111,193
Investing activities		
Acquisition of capital assets	(36,189)	(22,875)
Proceeds from disposal of capital assets	—	28,600
Acquisition of Highway 407 (note 2)	(860,890)	—
Acquisition of investment (note 2)	(25,060)	—
Subordinated loan to Highway 407	(25,790)	—
Other	(21,814)	(4,000)
	(969,743)	1,725
Financing activities		
Repayment of long-term debt	(528,816)	(2,276)
Increase in long-term debt	1,306,943	—
Reserve funds	(75,802)	—
Net proceeds from issuance of shares	51,935	3,389
Redemption of shares (note 9c)	(31,159)	(40,345)
Dividends	(11,265)	(9,298)
Other	(8,039)	684
	703,797	(47,846)
Net increase (decrease) in cash and cash equivalents	(101,071)	65,072
Cash and cash equivalents at beginning of year	198,747	133,675
Cash and cash equivalents at end of year	\$ 97,676	\$ 198,747
Cash flow per share (note 1n)		
Basic	\$ 2.02	\$ 1.45
Fully diluted	\$ 1.91	\$ 1.36

See accompanying notes to consolidated financial statements.

Note – Additional information

Basic cash flow per share (note 1n)

Excluding Highway 407	\$ 1.94	\$ 1.45
From Highway 407	0.08	—
	\$ 2.02	\$ 1.45

Fully diluted cash flow per share (note 1n)

Excluding Highway 407	\$ 1.83	\$ 1.36
From Highway 407	0.08	—
	\$ 1.91	\$ 1.36

Cash paid for interest	\$ 25,624	\$ 4,269
Cash paid for income taxes	\$ 22,137	\$ 27,370

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of dollars, except for number of shares)

	Share Shares	Capital Amount	Retained Earnings	Total
Balance as at December 31, 1997	47,998,648	\$ 215,447	\$ 102,847	\$ 318,294
Net income	—	—	45,591	45,591
Dividends	—	—	(9,298)	(9,298)
Shares issued under stock option plan	516,261	3,389	—	3,389
Shares issued for acquisition of businesses	18,270	192	—	192
Shares redeemed and cancelled (note 9c)	(3,661,760)	(16,525)	(23,820)	(40,345)
Balance as at December 31, 1998	44,871,419	202,503	115,320	317,823
Adjustment for employee future benefits (note 13)	—	—	(5,725)	(5,725)
Net income	—	—	36,304	36,304
Dividends	—	—	(11,265)	(11,265)
Shares issued under stock option plan	398,079	2,759	—	2,759
Shares issued for private placement, after issuance costs net of income taxes	4,283,033	50,000	(824)	49,176
Shares redeemed and cancelled (note 9c)	(2,669,000)	(13,749)	(17,410)	(31,159)
Balance as at December 31, 1999	46,883,531	\$ 241,513	\$ 116,400	\$ 357,913

See accompanying notes to consolidated financial statements.

1. Summary of significant accounting policies

a) Principles of consolidation and presentation

The consolidated financial statements of SNC-Lavalin Group Inc. (the "Company"), incorporated under the Canada Business Corporations Act, are prepared in accordance with generally accepted accounting principles applicable in Canada. The consolidated financial statements include the accounts of the Company, its subsidiaries and its pro rata share of each of the assets, liabilities, revenues and expenses of its joint ventures (see note 3). Investments include companies subject to significant influence, which are accounted for using the equity method.

The Company's 26.92% proportionate share of the results of 407 International Inc. (see note 2), after consolidation eliminations, is referred to as "Highway 407". For purposes of comparison and to disclose the financial impact of Highway 407, the Company's consolidated financial statements provide financial disclosure relating to Highway 407 as well as the results of total activities excluding Highway 407.

b) Use of estimates

The preparation of financial statements of the Company in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company has a history of making dependable estimates; however, current estimates may be revised as additional information becomes available.

c) Translation of foreign currencies

The accounts of the Company and its subsidiaries (including its integrated foreign subsidiaries) denominated in foreign currencies have been translated into Canadian dollars as follows:

- Monetary assets and liabilities, using the exchange rate prevailing at the balance sheet date,
- Non-monetary assets and liabilities, using the exchange rate prevailing at the transaction date,
- Revenues and expenses, using average monthly exchange rates during the year, except for depreciation and amortization, which are translated at the exchange rate prevailing when the related assets were acquired.

The Company enters into forward foreign exchange contracts to hedge future transactions in order to manage the risk of foreign currency fluctuations. Gains and losses on forward foreign exchange contracts related to future transactions are charged to income on a basis that corresponds with recognition of the related future foreign currency transactions.

d) Revenue recognition

Revenues are generated from services, packages and diversified operations.

▪ Services and packages

Revenues on services and packages contracts are derived primarily from fixed price contracts and cost-plus reimbursable contracts. On fixed price contracts, revenues are recorded on the percentage-of-completion basis. The percentage of completion is determined by dividing the cost incurred as at the balance sheet date by the total of incurred and anticipated costs for completing a contract. On cost-plus reimbursable contracts, revenues are recognized as costs are incurred, and include applicable fees earned as services are provided.

The value of goods and services purchased by the Company, when acting as purchasing agent for a client, is not recorded as revenue.

1. Summary of significant accounting policies (continued)

▪ Diversified operations

Revenues from diversified operations reflect the Company's results from its investments in special-purpose companies arising from privatization, public-private partnerships, long-term outsourcing and other concession-type arrangements.

Revenues from diversified operations are recorded based on units delivered, resources utilized or services rendered. For contracts related to the supply of ammunition, in the Company's subsidiary, SNC Technologies Inc., revenues are recorded on the basis of the contract value according to the percentage-of-completion method. Toll revenues, relating to Highway 407, are recorded upon computation of tolls resulting from a customer's utilization of the highway.

All known or anticipated losses are provided in their entirety without regard to percentage of completion. Estimated revenues on contracts include future revenues from claims when such additional revenues can be reliably established. The Company has numerous contracts that are in various stages of completion. Estimates are required to determine the appropriate anticipated cost and revenue.

e) Cash and cash equivalents, short-term investments

In 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information. Under the new recommendations, cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less. Short-term, liquid investments with original maturities of more than three months are included in short-term investments.

Cash flow information for the prior year has been restated to conform to the new recommendations. The effect of adopting the new recommendations was to decrease cash and cash equivalents by \$18,835,000 and increase short-term investments by an equivalent amount as at December 31, 1998.

f) Contracts in progress and inventories

▪ Contracts in progress

Contracts in progress relate to revenues recognized on contracts in excess of amounts billed and are recorded at their estimated realizable value based on the percentage-of-completion method.

▪ Inventories

Inventories relate principally to contracts for the manufacturing of ammunition. For these contracts, work in progress and finished products are recorded at their estimated realizable value based on a percentage-of-completion method. Other inventories are recorded at the lower of average cost and replacement value or net realizable value.

g) Capital assets

Capital assets are recorded at cost. Depreciation and amortization charges are recorded at rates set to charge operations with the cost of depreciable assets over their estimated useful lives, as follows:

▪ For capital assets excluding Highway 407

Buildings and surface installations, using the straight-line method over a period of ten to forty years, or the diminishing balance method at rates varying from 5% to 7%.

Machinery, office furniture and computer equipment, using the straight-line method over periods from two to fifteen years or the diminishing balance method at rates varying from 20% to 30%.

1. Summary of significant accounting policies (continued)

- **For Highway 407 capital assets**

Toll highway and concession right are amortized on a usage basis using projected revenues over forty years.

The costs of the East Partial and West extensions of highway 407, which are under construction, include costs directly attributable to the construction, net of related toll revenues during the construction phase. Capitalization of interest and administration costs, net of related toll revenue during construction, ceases when the highway extension projects are substantially complete.

h) Goodwill

Goodwill, which represents the excess of the cost of businesses acquired over the fair value of net identifiable assets values at the date of acquisition, is amortized on a straight-line basis over periods not exceeding twenty years. At each balance sheet date, the Company evaluates whether there has been a permanent impairment in the value of unamortized goodwill. In doing so, the Company assesses the recoverability of goodwill based on an estimate of the undiscounted future cash flow of each business to which the goodwill relates. Based upon its most recent analysis, the Company believes that no material impairment to the carrying value of goodwill exists as at December 31, 1999.

i) Deferred financing costs

Deferred financing costs, which are included in other assets, are amortized using the straight-line method over the term of the related debt. The amortization of these charges is included as part of interest on long-term debt.

j) Income taxes

The Company follows the liability method for income tax allocation.

k) Marketing expenses

All costs related to contract proposals are expensed as incurred.

l) Research and development costs

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and there is a reasonable assurance that they will be recovered. All development costs, which are capitalized and included in other assets (1999: \$2,631,000; 1998: \$2,916,000), are amortized, when commercial production begins, using the straight-line method over a period of three to five years. Where permanent impairment occurs, such capitalized costs are written off.

m) Pension plans and other post-retirement benefits

In 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to employee future benefits including pension benefits and other post-employment and post-retirement benefits. All accrued obligations for future employment benefits have been determined using the accrued benefit method. In valuing post-retirement benefits as well as cost of pension benefits, the Company uses management's best estimate assumptions except for the discount rate, where the Company uses the current market interest rate available at the measurement date. Current service costs are expensed in the year. Net actuarial gains and losses are amortized to income, based on a minimum amount, over the average remaining service period of active employees expected to receive benefits under the plans. For valuing pension plan assets, the Company uses market values.

n) Earnings and cash flow per share

Basic earnings per share has been determined by dividing the consolidated net income for the year by the weighted daily average number of outstanding shares (1999: 46,628,504; 1998: 46,559,546).

1. Summary of significant accounting policies (continued)

Basic cash flow per share has been determined by dividing the cash provided from operating activities before net change in non-cash working capital items by the weighted daily average number of outstanding shares.

Fully diluted earnings per share and fully diluted cash flow per share reflect the effect on the weighted daily average number of outstanding shares which would have resulted if the exercise of the outstanding stock options at year end had occurred at the later of the beginning of the year and the option grant date as well as the impact on consolidated net income of imputed earnings, net of tax, of \$968,000 (1998: \$874,000) on the cash which would have been received on the exercise of such options.

2. Acquisitions

Highway 407

During 1999, the Company invested \$175,000,000 in the common shares of 407 International Inc., representing a 26.92% equity participation. The investment is accounted for using the proportionate consolidated method as the Company has joint control over the operations of 407 International Inc.

On May 5, 1999, the Company and its partner, through 407 International Inc., acquired from the Government of the Province of Ontario, all the issued and outstanding shares of 407 ETR Concession Company Limited ("Concessionaire"), which operates, maintains and manages highway 407, a fully electronic toll highway in the Greater Toronto area. The acquisition, which 407 International Inc. accounted for using the purchase method, was concluded for a total consideration of \$3,197,592,000, including costs related to the acquisition totaling \$84,181,000. The Company's share of the purchase price was allocated as follows:

Capital assets	\$ 855,816
Other assets	8,137
Liabilities assumed	(3,063)
	<u>\$ 860,890</u>

Sources of funds of 407 International Inc. to finance the acquisition, totaling \$3,230,592,000, consisted mainly of \$175,000,000 and \$475,000,000 of proceeds from common shares issued to the Company and its partner, respectively, \$125,000,000 of proceeds from a subordinated convertible debenture ("Convertible Debenture"), \$2,300,000,000 of proceeds from the senior bridge credit facility and \$150,000,000 of proceeds from the junior bridge credit facility. The Company, its partner, the partner's parent company and the Convertible Debenture holder, have committed to 407 International Inc. a subordinated credit facility totaling \$775,000,000 for construction costs, debt service and working capital, of which the Company's portion is \$175,000,000. Of this amount, \$35,292,000 was drawn by 407 International Inc. as at December 31, 1999.

The Concessionaire is party to a Concession Agreement which grants to it a 99-year ground lease for the highway 407 lands, the operations centre lands and the patrol yard. Also, under this Concession Agreement, the Concessionaire is required to design and build certain extensions and further interchanges on the existing highway 407. The Concessionaire entered into a \$422,255,000 fixed price design-build agreement with an unincorporated joint venture, in which the Company owns a 50% interest, for the extensions and interchanges required by the Concession Agreement.

Other

On March 1, 1999, the Company acquired a 25% equity participation in Expertech Network Installation Inc. The acquisition, which is accounted for using the equity method, was concluded for a total cash consideration of \$25,060,000.

3. Joint venture activities

The Company carries out part of its activities through joint ventures. The Company's pro rata share of the assets, liabilities and operations of such joint ventures is summarized by the following financial information:

	1999	1998
Balance sheets		
Current assets		
Cash and cash equivalents, short-term investments	\$ 70,880	\$ 33,883
Other	103,677	49,068
	174,557	82,951
Long-term assets	950,896	8,151
	\$ 1,125,453	\$ 91,102
Current liabilities	\$ 115,451	\$ 58,750
Long-term debt	807,515	438
Pro rata share of net assets of joint ventures	202,487	31,914
	\$ 1,125,453	\$ 91,102
Statements of income		
Revenues	\$ 289,430	\$ 209,638
Income before interest and taxes	\$ 23,938	\$ 10,255
Interest expense (revenues) and capital taxes	25,626	(899)
Income taxes	782	3,182
Pro rata share of net income (loss) of joint ventures	\$ (2,470)	\$ 7,972
Cash and cash equivalents provided by (used in):		
Operating activities	\$ 43,271	\$ 16,945
Investing activities	(702,774)	(12,146)
Financing activities	692,289	3,817
Pro rata share of changes in cash and cash equivalents of joint ventures	\$ 32,786	\$ 8,616

4. Contracts in progress and inventories

	1999	1998
Contracts in progress	\$ 120,973	\$ 220,656
Inventories	183,886	116,713
Downpayments on inventories	(144,043)	(78,604)
	\$ 160,816	\$ 258,765

5. Capital assets

	1999		1998	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Excluding Highway 407				
Buildings and surface installations	\$ 92,533	\$ 20,108	\$ 90,834	\$ 17,255
Machinery	72,055	53,462	66,348	48,527
Office furniture and computer equipment	152,927	120,124	148,825	111,393
Other	23,840	13,154	22,039	11,933
	341,355	206,848	328,046	189,108
Highway 407				
Toll highway and concession right	851,061	3,118	—	—
Other	33,907	2,349	—	—
	884,968	5,467	—	—
	1,226,323	\$ 212,315	328,046	\$ 189,108
Accumulated depreciation	212,315		189,108	
Net book value	\$ 1,014,008		\$ 138,938	

Toll highway and concession right includes an amount not being depreciated of \$182,000,000 (including capitalized interest of \$15,171,000) with regard to the highway extension construction projects. Depreciation on these amounts will commence upon substantial completion of these projects.

6. Other assets

	1999	1998
Excluding Highway 407		
Investments	\$ 40,907	\$ 8,099
Goodwill	46,136	50,743
Subordinated loan to Highway 407	25,790	—
Other	31,307	20,347
	144,140	79,189
Highway 407		
Reserve funds and deferred charges	66,589	—
	\$ 210,729	\$ 79,189

Subordinated loan to Highway 407 represents the amount due to the Company by 407 International Inc., relating to drawdowns on the subordinated credit facility of \$35,292,000 after consolidation eliminations of \$9,502,000. The terms and conditions of this subordinated loan are described in note 7 as part of long-term debt related to Highway 407.

7. Long-term debt

a) Recourse

The Company has access to committed long-term revolving lines of credit with banks, upon which it may borrow at variable rates not exceeding prime rate plus 0.5%, up to a maximum of \$255,000,000 of which \$155,000,000 can also be used for documentary credit. As at December 31, 1999, \$184,085,000 of these credit lines remained unutilized, the difference of \$70,915,000 was used for the issuance of documentary credit. Commitment fees are paid under such lines of credit. Also, the Company has other lines of credit specifically limited to documentary credit purposes. All the above-mentioned lines of credit, which have recourse to the general credit of the Company, are unsecured and subject to negative pledge clauses.

b) Non-recourse

The debt described below is non-recourse to the general credit of the Company.

	1999	1998
Highway 407		
Senior bonds:		
Series 99-A1 to A3 and Series 99-A8, bearing interest at rates between 6.05% and 6.75%, maturing between October 18, 2006 and July 27, 2039	\$ 381,848	\$ -
Series 99-A4 to A7 ("Real Return Bonds"), bearing interest at 5.328% maturing between December 1, 2016 and December 1, 2031	139,663	-
Senior bridge credit facility	167,589	-
Junior bridge credit facility	39,890	-
Subordinated credit facility	37,038	-
Subordinated convertible debenture	35,501	-
Other	767	-
	802,296	-
Company's Headquarters		
Loan bearing interest at 9.39%, secured by a first ranking hypothec on a building complex, the Company's headquarters, including a hypothec upon all rents payable in respect of such property, repayable in equal monthly installments, maturing in 2008 with a balance of capital repayment of \$25.4 million at maturity. Recourse is limited to the assets which have been given as security for this loan.	38,503	39,530
Other	2,975	3,113
Total non-recourse long-term debt	843,774	42,643
Less portion due within one year	2,863	2,575
Long-term portion of non-recourse debt	\$ 840,911	\$ 40,068

Highway 407

The senior bonds, bridge credit facilities and subordinated credit facility are secured under a Master Trust Indenture (the "Indenture"), which establishes common security and a set of common covenants given by 407 International Inc. for the benefit of all its lenders. The security comprises substantially all of the assets of both 407 International Inc. and the Concessionaire, including an assignment of future revenues.

In addition, the Company, its partner, the partner's parent company and the Convertible Debenture holder have pledged, as security for obligations under or pursuant to the Indenture, but only for as long as any amounts drawn under the senior and junior bridge credit facilities remain outstanding, all of their interest in shares, debentures and subordinated debt of 407 International Inc. held by them.

Recourse for such indebtedness is limited to the assets which have been given as security for such indebtedness.

7. Long-term debt (continued)

Senior bonds

Interest is payable semi-annually except for Series 99-A3 bonds, where interest becomes payable commencing January 27, 2005. The principal amount of the bonds is all repayable at maturity except for Series 99-A3 bonds which are amortizing bonds repayable in fixed semi-annual scheduled installments including interest and principal (Company's proportionate share: \$3,022,000), commencing January 27, 2005. The Company's proportionate share of the principal amount for Series 99-A3 bonds was \$59,613,000 as at December 31, 1999.

Interest on the Real Return Bonds is payable semi-annually commencing June 1, 2004. The interest payable will be adjusted for inflation or deflation based on changes in the Consumer Price Index ("CPI") for Canada. The inflation component is discounted over the term of the bonds based on the spread between long-term bond yields and the real return rates for similar financial instruments, and charged to expense. Taking into account the inflation factor, the interest expense for 1999 on Real Return Bonds resulted in rates ranging from 6.85% to 7.50% depending on the particular series.

The senior bonds are redeemable in whole or in part at the option of 407 International Inc. Pursuant to the Indenture, 407 International Inc. established reserve funds for each series of bonds.

Bridge credit facilities

The senior and junior bridge credit facilities bear interest at floating rates based, at the option of 407 International Inc., on the prime rate for Canadian dollar loans, the interbank bid rate for Canadian dollar bankers' acceptances and the Eurodollar rates for Canadian dollar deposits, in each case plus the margin applicable to such rates. The margin for the bridge credit facilities varies during the term of the facilities as follows: (i) for the senior bridge credit facility, from 1.75% to 2.50% for Eurodollar rates and Canadian dollar bankers' acceptances and 1.00% to 1.75% for prime rate Canadian dollar loans (ii) for the junior bridge credit facility, from 4.25% to 7.50% for Eurodollar rates and Canadian dollar bankers' acceptances and 3.50% to 6.75% for prime rate Canadian dollar loans. The Company's proportionate share of the principal amounts, as at December 31, 1999, are due on May 5, 2001 (\$87,044,000) and May 5, 2002 (\$80,545,000) for the senior bridge credit facility and November 5, 2002 for the junior bridge credit facility.

Subordinated credit facility

On May 3, 1999, 407 International Inc. entered into a non-revolving term loan facility with the Company, its partner, the partner's parent company and the Convertible Debenture holder. The facility is fully subordinated in right of payment of principal and interest to the indebtedness under the bridge credit facilities and the senior bonds. The facility bears interest at the bankers' acceptance rate for Canadian dollar-denominated bankers' acceptances plus a margin between 4% to 6%. In the event that any of the subordinated debt remains outstanding as at the maturity date of May 5, 2007, such maturity date shall automatically be extended to December 31, 2045.

Subordinated convertible debenture

During 1999, 407 International Inc. issued a \$125,000,000 unsecured Convertible Debenture maturing on December 31, 2045 and bearing interest at the rate of 6% per annum until May 5, 2005. The rate of interest will increase by one-quarter of one per cent on such date and at the end of each six months thereafter up to a maximum of 8% per annum from November 5, 2008, calculated and compounded semi-annually. The principal and interest is not repayable prior to May 5, 2005, and, from that date, shall only be payable in the event that 407 International Inc. has funds which it shall not be required to pay or retain to avoid default under the terms and conditions of the senior bonds, bridge credit facilities and the subordinated credit facility. During the period of twelve months from May 5, 2004, the Convertible Debenture holder has the option to convert all or a portion

7. Long-term debt (continued)

amount of the Convertible Debenture into common shares of 407 International Inc. on the basis of one common share for each dollar of the principal amount of the Convertible Debenture. If the Convertible Debenture holder fully exercises its option, the Company's participation in the common shares of 407 International Inc. would be 22.58%, instead of the current 26.92% equity participation. As at December 31, 1999, the Company's proportionate share of the Convertible Debenture, including accrued interest was \$35,501,000.

c) Long-term debt is due as follows:

	2000	2001	2002	2003	2004	Thereafter
Excluding Highway 407	\$ 2,823	\$ 2,030	\$ 1,499	\$ 1,539	\$ 1,685	\$ 31,902
Highway 407	40	87,090	120,476	40	40	594,610
	\$ 2,863	\$ 89,120	\$ 121,975	\$ 1,579	\$ 1,725	\$ 626,512

8. Other liabilities

	1999	1998
Excluding Highway 407		
Employee future benefits	\$ 15,495	\$ 5,973
Future income tax liability	5,422	—
Other	11,487	7,473
	32,404	13,446
Highway 407		
Deferred gains on interest rate hedging	8,695	—
	\$ 41,099	\$ 13,446

9. Share capital**a) Authorized**

- Unlimited number of common shares
- Unlimited number of first preferred shares and second preferred shares

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

b) Stock option plans

In 1995, the Company adopted a stock option plan (1995 Plan) under which it is authorized to grant options to non-employee directors and to certain key employees of the Company for the purchase of shares up to the limit permitted by law. Options may only be exercised two years after the date of the grant for a period not exceeding five years ("the exercise period"). Options are exercisable at the market value of shares on the date of the grant. Options terminate upon cessation of employment or resignation, except in cases of death or Company-approved retirement.

In 1997, the Shareholders of the Company increased the number of shares available for options under the 1995 Plan from 2,161,008 to 4,900,000. Concurrently, the Company amended the 1995 Plan, notably by reducing the exercise period to four years with respect to options which may be granted from March 1997.

9. Share capital (continued)

The options granted and outstanding at year-end are as follows:

Year granted	Exercise price (\$/share)	Options outstanding at year-end	
		1999	1998
1995 Plan			
1995	7.67	549,950	700,000
1996	10.06	60,000	60,000
1996	11.19	651,600	693,900
1996	14.15	10,000	10,000
1997	11.30	923,000	952,000
1997	16.73	26,500	26,500
1997	16.93	616,000	656,000
1998	13.00	247,500	257,500
1998	10.70	15,200	15,200
1998	10.10	18,000	18,000
1999	11.55	23,000	—
1999	11.95	155,500	—
1999	11.05	12,750	—
		3,309,000	3,389,100
1991 Plan			
1994	6.29	—	169,785
1994	5.71	—	64,069
		—	233,854

The number of options varied as follows:

	1999	1998
Balance at beginning of year	3,622,954	3,950,890
Granted	195,250	294,700
Exercised	(398,079)	(516,261)
Cancelled	(111,125)	(106,375)
Balance at end of year	3,309,000	3,622,954

c) Redemption of shares

In May 1999, the Board of Directors authorized the renewal of a normal course issuer bid to purchase, for cancellation, on the open market, up to a prescribed maximum number of shares within a one-year period. This program requires annual approval by the Board.

The redemption of shares for 1999 and 1998 are as follows:

	1999	1998
Redeemed and cancelled		
Portion allocated to share capital	\$ 13,749	\$ 16,525
Portion allocated to retained earnings	17,410	23,820
	\$ 31,159	\$ 40,345
Number of shares	2,669,000	3,661,760
Average redemption price per share	\$ 11.67	\$ 11.02

10. Information included in the consolidated statements of income

The following are included in the consolidated statements of income:

	1999	1998
Excluding Highway 407		
Depreciation and amortization of capital assets and other assets	\$ 25,600	\$ 28,171
Amortization of goodwill	\$ 7,786	\$ 7,513
Interest revenues	\$ (11,155)	\$ (4,639)
Interest on long-term debt	\$ 7,094	\$ 4,267
Highway 407		
Depreciation and amortization of capital assets and other assets	\$ 5,477	\$ -
Interest revenues	\$ (2,010)	\$ -
Interest on long-term debt	\$ 24,079	\$ -

11. Income taxes

Temporary differences and tax loss carryforwards which give rise to future income tax assets and liabilities, as at December 31, are as follows:

	1999	1998
Excluding Highway 407		
Provision and reserves	\$ 17,913	\$ 21,434
Tax loss carryforwards	14,616	16,121
Contracts in progress and inventories	(13,712)	(21,976)
Future employee benefits	6,298	2,122
Capital assets	(29,242)	(18,645)
Other	3,448	1,674
	(679)	730
Highway 407		
Tax loss carryforwards	8,809	-
Deferred gains	3,879	-
Capital assets	(12,688)	-
	-	-
Future income tax asset (liability), net	\$ (679)	\$ 730
Recorded as follows:		
Future income tax asset (liability) – current	\$ 4,743	\$ (238)
Future income tax asset (liability) – long-term	\$ (5,422)	\$ 968

11. Income taxes (continued)

The effective income tax rate in the Company's consolidated statements of income differs from the statutory Canadian tax rates mainly as a result of the following:

	1999		1998	
	Amount	%	Amount	%
Excluding Highway 407				
Income tax at statutory Canadian rates	\$ 30,334	40.4	\$ 28,337	40.4
Increase (decrease) resulting from:				
Non-deductible expenses	4,117	5.5	3,801	5.4
Net losses in foreign jurisdictions not affected by tax	3,564	4.8	2,074	2.9
Effect of foreign tax rates	(7,136)	(9.5)	(5,791)	(8.2)
Manufacturing and processing deduction	(1,026)	(1.4)	(941)	(1.3)
Other	(4,339)	(5.8)	(2,931)	(4.2)
	25,514	34.0	24,549	35.0
Highway 407				
Income tax (recovery) at statutory Canadian rates	(4,182)	(44.6)	–	–
Increase resulting from:				
Tax effect of unused tax losses	4,182	44.6	–	–
Other	56	0.4	–	–
	56	0.4	–	–
Total income tax expense	\$ 25,570	41.3	\$ 24,549	35.0
Current income tax expense	\$ 20,605		\$ 32,837	
Future income tax expense (benefit)	4,965		(8,288)	
	\$ 25,570		\$ 24,549	

The unused tax losses carried forward of Highway 407 were \$9,372,000, which are available to offset its taxable income for the next seven years. Future income tax asset related to unused tax losses will be recorded when taxable income is generated or it is otherwise deemed appropriate.

12. Financial instruments

a) Fair value of financial instruments

The estimated fair value of the Company's financial instruments are as follows:

Short-term financial assets and liabilities

Cash equivalents and short-term investments consist principally of high grade financial instruments. Due to the short duration of such investments, their carrying amount approximates their fair value. For other short-term financial assets and liabilities, the carrying amounts are a reasonable estimate of the fair values of these items due to their short-term nature.

Long-term debt

The carrying amount and estimated fair value of the long-term debt as at December 31, 1999, was \$843,774,000 (1998: \$42,643,000) and \$822,614,000 (1998: \$49,096,000), respectively. These amounts include the Highway 407's carrying amount and fair value of its long-term debt of \$802,296,000 and \$778,757,000, respectively. The fair value was determined using public quotations or the discounted cash flow method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to the Company for debt of the same terms and conditions.

12. Financial instruments (continued)**Bank guarantees**

Under certain circumstances, the Company provides bank guarantees as collateral for the fulfillment of contractual obligations. Certain guarantees decrease in relation to the percentage of completion of projects. As at December 31, 1999, the Company had outstanding bank guarantees of \$203,284,000 (1998: \$203,000,000) excluding \$139,708,000 which was issued in favour of 407 International Inc. to secure committed financing under the subordinated credit facility (see note 7). These bank guarantees will mature over periods not exceeding seven years.

Forward foreign exchange contracts

The Company enters into forward foreign exchange contracts with banks to hedge foreign currency denominated assets and liabilities and foreign currency transactions against foreign currency fluctuations. The maturity dates of the existing forward foreign exchange contracts do not exceed three years.

Forward foreign exchange contracts contain an inherent credit risk relating to default on obligations by the counterparties. The Company reduces this credit risk by entering into foreign exchange contracts with sound financial institutions, which the Company anticipates will satisfy their obligation under the contracts.

The fair value of forward foreign exchange contracts generally reflects the estimated amounts the Company would receive on settlement of favourable contracts, or be required to pay in order to terminate unfavourable contracts as at the balance sheet date. The fair values are estimated by obtaining quotes from financial institutions. The fair values as at December 31, if settlement were to occur, would be as follows:

	1999	1998
Favourable forward foreign exchange contracts	\$ 5,215	\$ 3,373
Unfavourable forward foreign exchange contracts	(6,878)	(14,904)
	\$ (1,663)	\$ (11,531)

Consistent with its policy not to speculate on foreign currency positions, the Company does not usually incur favourable and unfavourable settlement variances given that the forward foreign exchange contracts normally maintain their initial anticipated hedging relationships up to maturity.

Interest rate hedging agreements

407 International Inc. has entered into interest rate hedging agreements in the form of interest rate forward and swap contracts, which establish fixed interest rates against current floating rate borrowings for future bond offerings. The termination dates of these existing contracts do not exceed three years. The fair value of these remaining agreements reflects the estimated amounts 407 International Inc. would receive on settlement of favourable contracts, or be required to pay in order to terminate unfavourable contracts, as at the balance sheet date. As at December 31, 1999, all outstanding contracts were favourable. The Company's proportionate share of the fair values of the interest rate hedging contracts as at December 31, 1999, if settlement were to occur, would be \$9,009,000 favourable.

Interest rate hedging agreements contain an inherent credit risk relating to default on obligations by the counterparties. 407 International Inc. reduces this credit risk by entering into interest rate hedging agreements with sound financial institutions, which 407 International Inc. anticipates will satisfy their obligations under the contracts.

12. Financial instruments (continued)

b) Concentrations of credit risk

Concentrations of credit risk with respect to accounts receivable and contracts in progress are limited due to the large number of clients comprising the Company's client base, and their dispersion across different business and geographic areas.

13. Pension plans and other post-retirement benefits

The Company applied retroactively, without restatement, the new recommendations of the Canadian Institute of Chartered Accountants with respect to employee future benefits. As such, the January 1, 1999 consolidated accounts reflect an adjustment to retained earnings of \$5,725,000 as well as a reduction of future income tax liability of \$3,781,000 and an increase of other liabilities of \$9,506,000.

The Company and certain of its subsidiaries offer a Group Registered Retirement Savings Plan combined with a Deferred Profit Sharing Plan for which contributions are recorded as expenses in the year in which they are incurred (1999: \$9,264,000; 1998: \$9,388,000), as well as Defined Benefit Pension Plans which provide pension benefits based on length of service and final pensionable earnings.

For its defined benefit pension plans, pension expense (1999: \$2,205,000; 1998: \$2,242,000) and accrued benefit obligation are determined based on weighted average rates of actuarial assumptions, which include a discount rate of 7.0% (1998: 8.0%), an expected long-term rate of return on plan assets of 7.0% (1998: 8.0%) and a rate of compensation increase of 3.5% (1998: 4.0%). Based on the actuarial extrapolation, as at December 31, the fair value of pension plan assets and the accrued pension benefit obligation are as follows:

	1999	1998
Pension plan assets	\$ 103,314	\$ 105,006
Accrued pension benefit obligation	\$ 103,217	\$ 96,612

As at December 31, 1999, the obligation for other post-retirement benefits amounted to \$7,303,000.

14. Contingencies

The Company and certain of its subsidiaries have been named as defendants along with other parties in a number of class action lawsuits and other actions filed in Canada and the United States by or on behalf of shareholders of Bre-X Minerals Ltd. and Bresea Resources Ltd. seeking to recover damages allegedly sustained by them as a result of the Bre-X affair. The complaints with respect to these actions generally allege that the Company and/or its subsidiaries were negligent, negligently or fraudulently misrepresented or failed to disclose information relating to Bre-X's Busang gold project, and violated US securities laws. The Company denies these allegations and is vigorously contesting these lawsuits. These lawsuits remain at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. However, management believes that the Company's subsidiaries have acted professionally and appropriately at all times in carrying out the work which was performed in connection with Bre-X's Busang project and, after having consulted with legal counsel, believes that the Company and its subsidiaries have strong grounds to contest these claims. The Company's insurers have been advised of these claims and are cooperating with the Company in the defense of these lawsuits subject to policy deductibles, limits, and terms and conditions.

14. Contingencies (continued)

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the Company's consolidated financial position or results of operations.

15. Commitments

Commitments for annual basic rental under long-term operating leases are as follows:

2000	2001	2002	2003	2004	Thereafter	Total
\$ 14,825	\$ 10,548	\$ 8,449	\$ 4,394	\$ 2,988	\$ 9,893	\$ 51,097

16. Segment disclosures

The Company's operating segments are grouped by sectors of activities, described as follows:

- Chemicals and petroleum segment is comprised of operations in the oil and gas sector, from upstream production to downstream processing, as well as in chemical and fertilizer plants.
- Infrastructure segment is engaged in a full range of activities in infrastructure projects (including rail-based rapid transit systems, roads, airports, buildings), water well drilling, systems implementation as well as general engineering and environment.
- Mining and metallurgy segment provides a full range of services for the treatment of ores and recovery of minerals and metals. This segment also includes aluminum industry projects.
- Power segment is engaged in hydroelectric, nuclear and thermal power generation, power transmission and distribution projects.
- Defence segment mainly includes the manufacturing of ammunition for the military and paramilitary markets. Also included in this segment is the manufacturing of fire detection and suppression systems.
- Highway 407 segment, representing the Company's proportionate share of 407 International Inc. results, after consolidation eliminations, consists of the operation, maintenance and management of highway 407.
- "All Other" segment regroups activities of several sectors, including infrastructure and facilities management, telecommunications, pharmaceutical, agrifood, pulp and paper as well as other industrial plants. Also included in this segment is the Company's equity investment in special-purpose companies.

The accounting policies for the segments are the same as those described in the Summary of significant accounting policies (note 1) except for imputed interest calculated on non-cash working capital position. The Company evaluates segment performance, except for Highway 407, using operating income net of imputed interest which is charged monthly to the segments at a rate of 10% per annum resulting in a cost or revenue depending on whether the segment's current assets exceed current liabilities or vice versa. Corporate general and administrative costs are allocated based on the gross margin of each segment. Income taxes are not allocated to segments. Highway 407 is evaluated using net income (loss), net of consolidation eliminations.

Revenues by category reflect the Company's activities in services, packages and diversified operations.

Revenues by geographical segment have been allocated according to project location.

16. Segment disclosures (continued)

The Company has numerous clients. In any one year, a given client may represent a material portion of the Company's consolidated revenues due to the size of a particular project and the progress accomplished on such project.

Years ended December 31:	1999		1998	
	Revenues	Operating Income (loss)	Revenues	Operating Income (loss)
Excluding Highway 407				
Chemicals and petroleum	\$ 248,350	\$ 16,738	\$ 441,148	\$ 48,304
Infrastructure	298,477	37,201	352,488	(5,602)
Mining and metallurgy	210,521	4,476	240,417	9,601
Power	139,905	4,576	125,703	1,873
Defence	171,518	12,859	175,394	11,068
All Other	175,353	1,541	172,389	6,461
	<u>\$ 1,244,124</u>	<u>77,391</u>	<u>\$ 1,507,539</u>	<u>71,705</u>
Reversal of total imputed interest cost included in segment operating income		4,244		9,979
Goodwill amortization		(7,786)		(7,513)
Interest revenue (expense) and capital taxes		1,191		(4,031)
Income before income taxes		75,040		70,140
Income taxes		(25,514)		(24,549)
Net income excluding Highway 407		49,526		45,591
Highway 407, net loss		(13,222)		—
Net income		<u>\$ 36,304</u>		<u>\$ 45,591</u>

Details of the Company's proportionate share of Highway 407 results for the year ended December 31, 1999, are:

Revenues (diversified), before consolidation eliminations of \$3,478	\$ 30,187
Gross margin, after deducting \$5,477 of depreciation and amortization	15,264
Administrative, marketing and other expenses	(1,519)
Interest expense and capital tax	(23,117)
Loss before income taxes	(9,372)
Income taxes	(1,346)
Net loss, before consolidation eliminations	(10,718)
Consolidation eliminations	(2,504)
Net loss, net of consolidation eliminations	<u>\$ (13,222)</u>

16. Segment disclosures (continued)

At December 31:	1999	1998
Excluding Highway 407		
Segment non-cash working capital position		
Chemicals and petroleum	\$ (22,155)	\$ (8,851)
Infrastructure	(45,044)	(45,261)
Mining and metallurgy	(325)	12,663
Power	(20,325)	(8,009)
Defence	50,542	38,386
All Other	(2,069)	(561)
Total segment non-cash working capital position – net liabilities	(39,376)	(11,633)
Current liabilities included in segment non-cash working capital position	511,933	561,459
Cash and cash equivalents, short-term investments	95,897	217,582
Capital assets and other long-term assets	278,647	218,127
Total assets excluding Highway 407	847,101	985,535
Highway 407	996,340	–
Total assets	\$ 1,843,441	\$ 985,535

Revenues by category

Services	\$ 531,042	\$ 537,887
Packages	438,830	687,823
Diversified	300,961	281,829
	\$ 1,270,833	\$ 1,507,539

Revenues by geographic segment

Canada	\$ 587,579	\$ 588,823
Africa	210,131	417,239
Asia	199,734	171,332
Europe	99,864	98,878
Latin America	91,449	110,853
Other	82,076	120,414
	\$ 1,270,833	\$ 1,507,539

**Capital assets and goodwill
(at December 31)**

Canada		
Excluding Highway 407	\$ 176,184	\$ 182,231
Highway 407	879,501	–
Outside Canada	4,459	7,450
	\$ 1,060,144	\$ 189,681

17. Comparative figures

Certain 1998 figures have been reclassified to be comparable with the 1999 presentation.

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Director
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Gerardo Garcia
Deputy Director

Russia

Yuri Kotliarov
Director
Russia
SNC-Lavalin International Inc.

United Kingdom

Tim J.A. Smith
Vice-President and
General Manager
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United States

David W. Brown
Representative
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SNC-Lavalin International Inc.

Joseph Shirley
Senior Vice-President and
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Mark Bergman
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QUARTERLY DATA

(in thousands of dollars, except per-share amounts)

	1999				Total
	1 st	2 nd	3 rd	4 th	
Revenues	314,618	300,989	315,709	339,517	1,270,833
Net income (loss)					
Excluding Highway 407	10,508	14,555	13,013	11,450	49,526
From Highway 407	–	(4,782)	637	(9,077)	(13,222)
	10,508	9,773	13,650	2,373	36,304
Basic earnings per share					
Excluding Highway 407	0.24	0.31	0.27	0.24	1.06
From Highway 407	–	(0.10)	0.01	(0.19)	(0.28)
	0.24	0.21	0.28	0.05	0.78
Basic cash flow per share					
Excluding Highway 407	0.42	0.50	0.69	0.33	1.94
From Highway 407	–	(0.08)	0.12	0.04	0.08
	0.42	0.42	0.81	0.37	2.02

	1998				Total
	1 st	2 nd	3 rd	4 th	
Revenues	372,460	373,869	398,077	363,133	1,507,539
Net income					
Excluding Highway 407	9,496	13,620	11,772	10,703	45,591
From Highway 407	–	–	–	–	–
	9,496	13,620	11,772	10,703	45,591
Basic earnings per share					
Excluding Highway 407	0.20	0.29	0.25	0.24	0.98
From Highway 407	–	–	–	–	–
	0.20	0.29	0.25	0.24	0.98
Basic cash flow per share					
Excluding Highway 407	0.35	0.46	0.44	0.20	1.45
From Highway 407	–	–	–	–	–
	0.35	0.46	0.44	0.20	1.45

EIGHT-YEAR STATISTICAL SUMMARY

Years ended December 31

(in thousands of dollars, except per-share amounts and number of shares)

	1999	1998	1997	1996	1995	1994	1993	1992
Revenues								
Services	531,042	537,887	533,762	559,343	405,595	415,593	516,863	622,104
Packages	438,830	687,823	619,112	595,853	425,913	376,370	220,769	103,202
Diversified	300,961	281,829	259,983	206,621	197,809	169,937	183,158	202,819
	1,270,833	1,507,539	1,412,857	1,361,817	1,029,317	961,900	920,790	928,125
Gross margin								
	300,933	281,336	270,424	259,248	205,920	206,477	223,687	207,120
Administrative, marketing and other expenses								
	213,887	207,165	206,108	203,434	166,992	157,936	183,645	174,545
Income before interest and taxes								
	87,046	74,171	64,316	55,814	38,928	48,541	40,042	32,575
Interest (revenues) and capital taxes								
	25,172	4,031	3,370	(1,093)	(10,008)	1,313	10,079	15,160
Income before income taxes								
	61,874	70,140	60,946	56,907	48,936	47,228	29,963	17,415
Income taxes								
	25,570	24,549	20,719	19,917	17,618	19,897	13,722	8,106
Net income (loss)								
Excluding Highway 407	49,526	45,591	40,227	36,990	31,318	27,331	16,241	9,309
From Highway 407	(13,222)	—	—	—	—	—	—	—
	36,304	45,591	40,227	36,990	31,318	27,331	16,241	9,309
Earnings before interest, taxes, depreciation and amortization								
Excluding Highway 407	107,235	109,855	99,353	88,728	62,871	77,399	65,360	56,738
From Highway 407	18,674	—	—	—	—	—	—	—
	125,909	109,855	99,353	88,728	62,871	77,399	65,360	56,738
Basic earnings per share								
Excluding Highway 407	1.06	0.98	0.84	0.79	0.67	0.58	0.36	0.21
From Highway 407	(0.28)	—	—	—	—	—	—	—
	0.78	0.98	0.84	0.79	0.67	0.58	0.36	0.21
Basic cash flow per share								
Excluding Highway 407	1.94	1.45	1.37	1.50	1.23	1.17	1.09	0.86
From Highway 407	0.08	—	—	—	—	—	—	—
	2.02	1.45	1.37	1.50	1.23	1.17	1.09	0.86
Weighted average number of shares (in thousands)								
	46,628	46,560	48,083	46,711	46,838	46,833	45,081	43,881

EIGHT-YEAR STATISTICAL SUMMARY (CONTINUED)

December 31

(in thousands of dollars, except number of employees, per-share amounts and number of shares)

	1999	1998	1997	1996	1995	1994	1993	1992
Number of employees	6,643	6,383	6,286	6,226	4,846	4,748	5,376	6,132
Backlog ⁽¹⁾	2,759,300	1,941,600	2,191,100	2,447,600	2,226,900	2,243,100	1,764,000	1,544,800
Shareholders' equity	357,913	317,823	318,294	237,670	231,814	220,808	195,394	171,028
Book value per share	7.63	7.08	6.63	5.32	5.07	4.69	4.18	3.89
Return on weighted average shareholders' equity								
Excluding Highway 407	14.2%	14.3%	13.5%	14.9%	13.7%	13.2%	8.9%	5.7%
From Highway 407	(3.8%)	—	—	—	—	—	—	—
	10.4%	14.3%	13.5%	14.9%	13.7%	13.2%	8.9%	5.7%
Cash and cash equivalents, short-term investments	110,344	217,582	146,525	145,994	282,541	215,235	133,022	47,005
Number of outstanding common shares (in thousands)	46,884	44,871	47,999	44,661	45,714	47,031	46,720	44,011

⁽¹⁾ Backlog figures for the diversified category now reflect the growing importance of concession-type activities. Backlog revenues are calculated on a five-year rolling basis where there are recurring revenues from such activities that are supported by signed contracts or concession agreements. Prior years' comparative diversified backlog have been restated accordingly.

INVESTOR AND SHAREHOLDER INFORMATION

Share Information

Listed: **Toronto Stock Exchange Symbol: SNC**

Close on December 31, 1999: **CAD \$10.95**

Shares Outstanding at December 31, 1999: **46.9 million common shares**

Market Capitalization at December 31, 1999: **CAD \$513 million**

Dividends

Dividends are payable quarterly on an indicated basis. On December 3, 1999, the Corporation paid a quarterly dividend of \$0.06 per share to shareholders of record on November 19, 1999. This was the 41st consecutive quarterly dividend paid to shareholders. In 1999, the annual dividend increased 20% to \$0.24 per share from the previous year.

Share Split

A three for one stock split occurred on May 30, 1996.

Common Share Trading Activity

1999	Share Volume	High	Low
Fourth quarter	6,081,000	\$11.40	\$10.00
Third quarter	3,731,000	\$12.55	\$10.90
Second quarter	5,456,000	\$13.00	\$11.25
First quarter	4,831,000	\$14.00	\$11.50
1998			
Fourth quarter	5,374,000	\$11.70	\$8.50
Third quarter	5,038,000	\$11.95	\$10.00
Second quarter	5,931,000	\$14.25	\$11.10
First quarter	9,029,000	\$14.95	\$10.90

Normal Course Issuer Bid

Beginning in 1995, a normal course issuer bid was implemented to purchase a prescribed maximum number of shares annually for cancellation on the open market. The program requires annual approval by the Board of Directors. The Company repurchased 2,669,000 shares during 1999.

Annual Meeting

The Annual Shareholders' Meeting will be held on Thursday, May 4, 2000 at 11:00 a.m. at the Queen Elizabeth Hotel, Grand Salon, 900 René-Lévesque Blvd. West in Montréal.

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Stock Exchange Listing

Toronto
(Symbol: SNC)

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